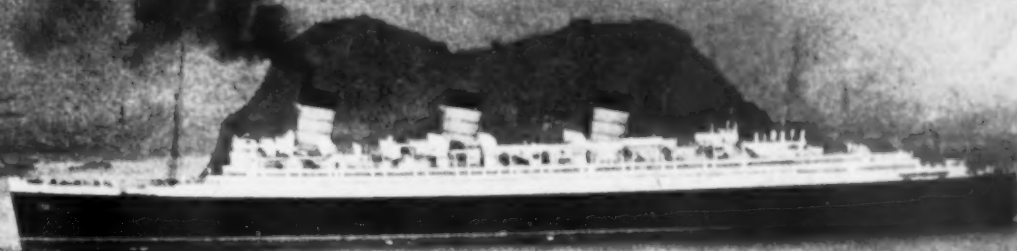
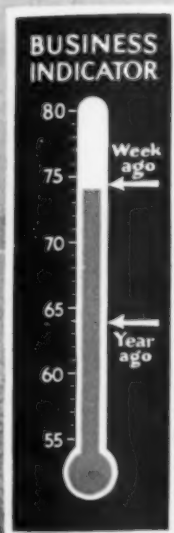


BUS. A  
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MAY 30  
1936

# BUSINESS WEEK

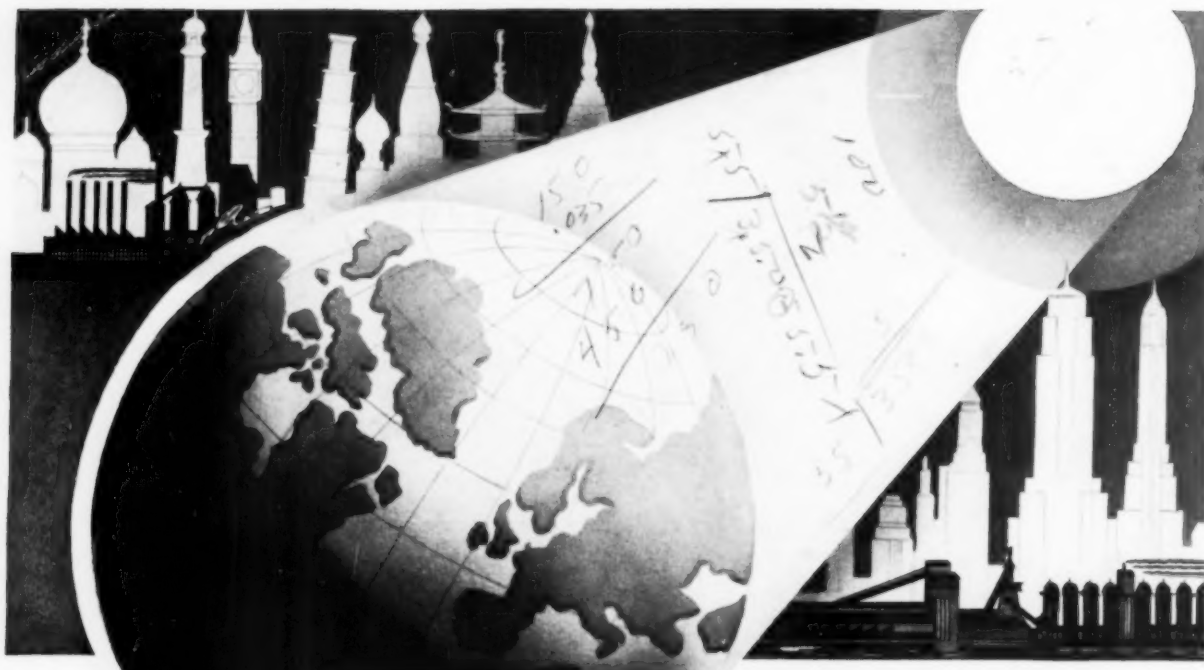


McGRAW-HILL  
PUBLISHING  
COMPANY, INC.

20 CENTS

**ENTER, THE QUEEN** — Britain's new contender for the transatlantic blue ribbon goes into the tourist business.

U. OF MICHIGAN LIBRARY  
ANN ARBOR MICH



*In the path of a Sun*

*that never sets . . .*



● You may travel 'round the world...and never once be out of touch with Truscon world-wide facilities. On trains... on ships... on river boats...and, if need be, on natives' backs... Truscon products of rust and corrosion resisting steel are transported all over the world...in the path of a sun that never sets.

Here...in these United States...Truscon's experienced personnel...enlarged manufacturing facilities...52 engineering-sales offices and 22 strategically located warehouses...combine to provide an unparalleled service to American Industry.

**FOR THE BUILDING INDUSTRY...**Truscon provides the widest scope of steel products available from any single manufacturer. Included in this extensive line are steel windows and doors of all types...steel joists and other structural members...metal laths of all kinds...and scores of other products.

**FOR THE HIGHWAY INDUSTRY...**Truscon provides a complete line of steel products for reinforcing concrete roads, streets and bridge decks.

**FOR THE NATION'S RAILROADS...**Truscon provides steel build-

ings of all types, steel highway crossings, steel poles, signal towers and numerous other products.

**FOR THE RADIO INDUSTRY...**Truscon has developed those remarkable self-supporting antenna towers known as Truscon Vertical Radiators that utilize the maximum assigned power of any radio station.

**FOR THE BREWING INDUSTRY...**Truscon provides absolute protection of beer quality with the famous Truscon Alchemik-Lined Steel Barrels.

**FOR THE FOUNDRY INDUSTRY...**Truscon's complete line of steel foundry flasks and related equipment blankets all requirements of this classification.

**FOR ALL INDUSTRY...**Truscon provides complete steel buildings of any type and size...a complete line of steel materials handling boxes and skid platforms...and an unsurpassed pressed steel service from engineering and design to completed parts.

When you think of Truscon...think of an organization alert to its responsibilities, eager to serve you, determined to maintain its world-wide position in the path of a sun that never sets.



**TRUSCON STEEL COMPANY**  
YOUNGSTOWN, OHIO



When writing Truscon Steel Company for further information, please address Department BW.

BUSINESS WEEK

## New Business

WESTERN UNION is planning to inaugurate on June 1 a wholesale rate for telegraph service between New York and the Pacific Coast—\$500 a month for 25,000 words or less and 1½¢ for each word in excess of 25,000. Part of the idea is to provide some new competition for American Telephone & Telegraph Company's teletype system which offers a leased wire on a time basis to large-scale users of fast communication service.

AMERICAN bathing beaches have gone through some pretty grandiose alterations in the course of years—what with bath houses, pavilions, public address systems, and what-not. This year a newcomer appears on the scene. Believe it or not, it's the vulcanizing shop to accommodate those who wear rubber bathing suits. Note to those who could invent if they only knew what to invent: What's really needed is a submarine vulcanizing service.

WENDELL L. WILLKIE, president of Commonwealth & Southern, adds an interesting footnote to the news that the American Gas Association is all set for its big three-year cooperative advertising campaign on a \$500,000-a-year fund. Commenting in his annual report to stockholders on the fact that it is frequently said that this is an electrical age, he points out that while electric sales in his group were up 13.62% in 1935, gas sales were 14.22% higher than in 1934; while electric customers increased 4.36%, gas customers rose 5.49%.

WITH the aid of the office Addressograph system, Elmer F. Barnhardt, chief of the City Payroll Division of Baltimore, Md., has devised a simple form of check that can be sent through the mails as a postcard. He uses it to pay old-age pensions to local pensioners. It's a time- and trouble-saving idea for anybody who doesn't mind the publicity that a check gets under these circumstances.

CELLULOID, the original plastic, is so well-known it rates a listing in Webster's as a generic term. Which isn't the blessing it might appear to be as far as the Celluloid Corp. is concerned, for it means that a certain trade name value has been lost. (That's why the duPont people always insist on Cellophane with a capital "C".) But if the public has forgotten just who makes Celluloid, it's going to have its memory jogged considerably. Last week Celluloid Corp. began one of its biggest advertising campaigns.

ROBERT V. FLEMING, president of the American Bankers Association, summed up in an address to Pennsylvania bankers last week what should be the depression's most important lesson to bankers—"We have an obligation to make clear to the public the true relationship we have as bankers to the functions of creation of money and credit. Unless we bankers undertake to bring to light the true facts concerning these issues, the misunderstanding which now exists will prevail in the public mind." Frank F. Brooks, president of the First National Bank of Pittsburgh and of the Pennsylvania Bankers Association, then drove the nail home—"To me it is crystal clear that it is the duty of banking

BUSINESS WEEK (with which is combined The Magazine of Business) May 30, 1936, No. 352. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Jr., Chairman; Malcolm Muir, President; James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Editor; B. B. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 26¢ per copy. Entered as second-class matter February 15, 1930, at the Post-Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1936 by McGraw-Hill Publishing Company, Inc.

MAY 30, 1936

# MODERNIZE

*says  
your best  
judgment*

# GO EASY

*says  
your  
budget*

**Y**OUR elevators are the focal point of your building and your best judgment tells you they should always be in first-class condition. But your budget says, "Take it easy, I can't stand a heavy burden right now."

All right — we can help your best judgment and your budget get together so that it will be unnecessary to postpone elevator modernization. We'll be glad to do the work *one step at a time*.

This *step-by-step* plan calls for, first, a complete examination of your elevators by elevator experts. This examination (it is free) includes a report showing condition of your elevators and just what is needed to put them in new-elevator condition.

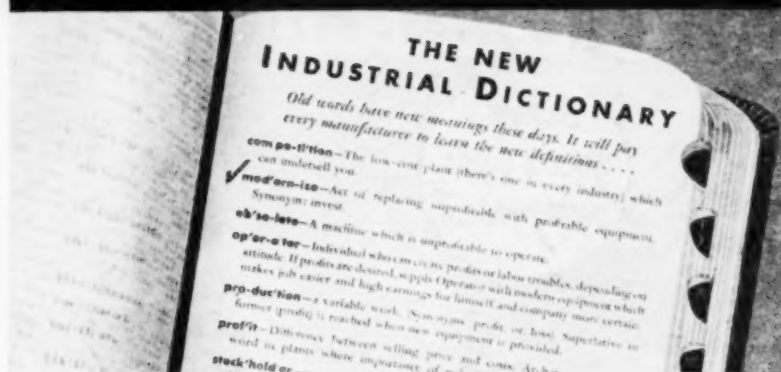
Then the work of modernization is plotted in logical steps, placing the changes in the order of their importance. You pay for each step as it is completed. You get the benefit of partial modernization at once. You work toward complete modernization and are not burdened with financial hardship.

We shall be glad to go more into detail. The local Otis office is prepared to discuss this *step-by-step* plan with you.

**OTIS**  
MODERNIZATION



# IS IT WORTHWHILE TO MODERNIZE?



**mod-ern-ize**—Act of replacing unprofitable with profitable equipment.\*

To be worth doing, a modernization program must pay for itself and return a profit besides. Otherwise NO!

New Warner & Swasey turret lathes are recommended only on the basis of increased earnings . . . they must pay for themselves plus an extra profit—from present production. On no other basis should you buy new equipment. But on that basis, proven to your satisfaction, you can't afford not to invest.

Turret lathes—expressly designed for the speed and precision of today's competition—are multiplying production, reducing scrap loss, cutting non-productive time, eliminating entire steps in production. Every one of these is a direct addition to net profit. *Let us prove what we can do for your plant profit.*

\* From the Warner & Swasey New Industrial Dictionary

**WARNER & SWASEY**  
Turret Lathes  
Cleveland

*Make This the Turning Point to Increased Earnings*

and business to exert, and at once, the full force of their selling power to establish in the people's mind a clear picture of the economic truth."

ANY Diamond Match stockholder who does not know the "ins and outs" of the company's affairs has no one but himself to blame—or his broker, for failing to mail the annual report. Voluminous, full of pictures and compendious with appendices is the company's yearly statement—and it has been growing in recent years. In 1935 it ran 184 pages exclusive of appendices from A to X. Compare that with U. S. Steel's 32 pages, Pennsylvania Railroad's 58, and General Motors' 54. Steel and Pennsy pages are larger, but for sheer weight and wordage, Diamond Match beats them all.

THE Dutch won't give up a "dam" for their queen in the way that the English gave up Cunard White Star's traditional "ia's" and "ic's" to honor Queen Mary. You may win one of 15 cash prizes by submitting before June 15 a name for Holland-American Line's new flagship (due here 1938) but you have got to match the familiar last syllable of the line's other ship-names.

ALFRED P. SLOAN, JR., president of General Motors, sounded a significant "trend note" in a speech at a Los Angeles Chamber of Commerce banquet celebrating the opening of G.M.'s new I.A. plant, May 22. "Looking into the future," he said, "I am quite convinced that it is highly desirable for industrial management to recognize the importance, as a fundamental principle of policy, of decentralizing the operations of our great producing units so far as is economically practical. . . . Their segregation into logical component parts, strategically distributed among a greater number of communities, means a lower cost of living, a lower cost of production, and, more important still, a more satisfactory and less artificial type of living for the worker."

IF the 1936 pot can't call the 1936 kettle black and cream or black and white, then it can call the kettle out of style. Last year the style was red, next year it will be something else. For kitchenware has joined the fashion parade, or what might more shrewdly be called the "controlled obsolescence" parade. National Enameling & Stamping Co. stamps the trend with a New York showroom for periodical showings of fashions in cookery utensils, will have other showrooms in other key cities later.

SCHICK dry shavers, now manufactured at Stamford, Conn., will be made in Canada for world trade exclusive of the United States and Colonel Jacob Schick will move from Stamford to Montreal. A plant has been bought at St. Johns, Que., two carloads of machinery have been moved in, first unit will be in operation by autumn. Schick Shaver, Ltd., will be entirely separate from the American company. A British sales branch controlled from Canada will be opened in London. Col. Schick formerly lived in British Columbia. He will now build at Montreal a replica of his Connecticut home.

TESS GARDELLA is fixed for life, unless General Foods Corp. and the National Broadcasting Co. succeed in reversing or modifying the New York Circuit Court's decision compelling them to pay her \$115,000. For 17 years she has appeared before the public as Aunt Jemima, in recent years taking that rôle on radio programs for Quaker Oats, Kolynos, Phillips Milk of Magnesia and other advertisers. When Log Cabin syrup, a G.F. subsidiary, planned a radio program, it asked Quaker Oats permission to include an





● The heavier cuts made possible by modern machine tools result in important reductions in fabricating costs. But if it were not for Nickel Cast Iron, the frames, beds and ways of these machines would not have the strength and rigidity to stand the increased stresses and strains and still maintain accuracy.

Through a partnership with Nickel, plain cast iron acquires a denser grain structure and becomes

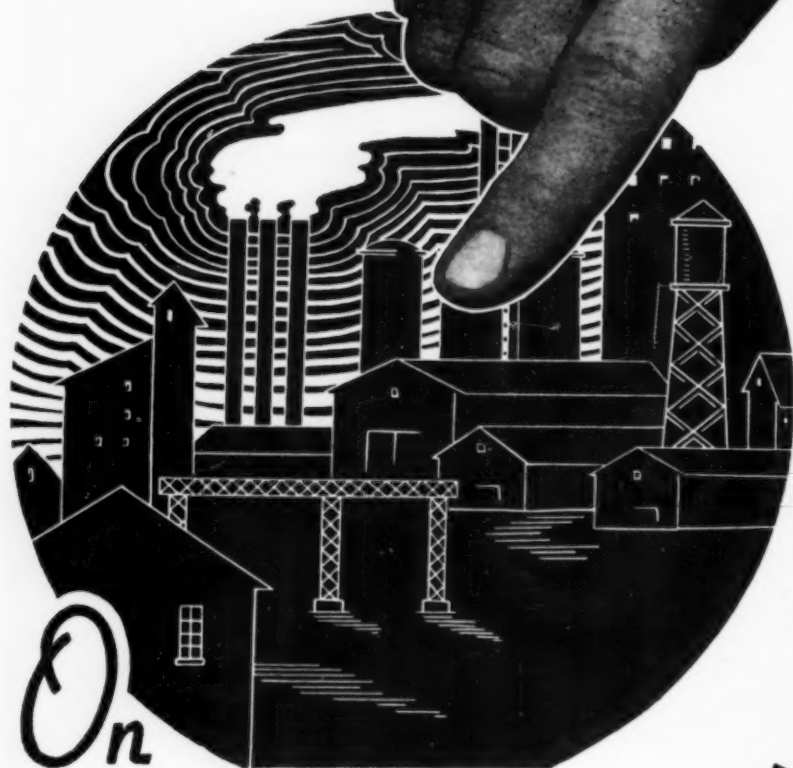
harder, stronger . . . more highly resistant to stress, heat, pressure, wear and abrasion. Not only in machine tools but in scores of other applications, these improved properties will effect worthwhile savings in operating and upkeep cost.

Our experience in the application of Nickel to industrial problems is at your disposal. Send for List "A" of available publications on Nickel and its alloys.

# *Nickel Cast Irons*

**THE INTERNATIONAL NICKEL COMPANY, INC.**  
NEW YORK, N. Y.

# PUTTING the FINGER



## OPERATING LOSSES!

LOSSES in the sales or credit departments of a business are usually easy to ascertain. It is difficult, however, to put the finger on losses in plant operation and production. For example: A national manufacturer of molded products installed Brown Flowmeters on department steam lines. To the surprise of plant officials, it was found that steam ran to the molding machines even when the plant was shut down.

This is only one example among thousands where Brown Instruments have pointed the way to substantial plant savings.

If you are a plant executive, a perusal of our new booklet, "Instruments from the Executive Viewpoint," may reveal many possibilities for savings in operation or production in your plant regardless of its size. Why not instruct your secretary to write for it today. Brown Instrument Company, 4525 Wayne Ave., Philadelphia, Pennsylvania.

### Brown Instruments and Controls

#### TEMPERATURE INDICATORS AND RECORDERS THERMOMETERS

#### PYROMETERS

Potentiometers - Millivoltmeters

#### GAUGES

Pressure - Liquid Level - Draft

#### FLOWMETERS

#### CO<sub>2</sub> METERS

#### TACHOMETERS

#### HYGROMETERS

#### AUTOMATIC CONTROLLERS

#### CONTROL VALVES Electric and Air Operated



75 YEARS OF PRECISION MANUFACTURE

**BROWN INSTRUMENT CO**

A Division of

**MINNEAPOLIS-HONEYWELL REGULATOR CO**

BRANCHES IN ALL PRINCIPAL CITIES

Aunt Jemima character, offered the rôle to Tess G. When the sponsor and star failed to agree on salary, Log Cabin hired another Aunt Jemima. Miss Gardella sued on the ground that this was an infringement of her right to the character rôle in the amusement field. Now advertising men wonder just who owns the characters they create.

THE ghost may walk, but not at NBC. To the American Association of Advertising Agencies in White Sulphur Springs this month, Lenox R. Lohr, NBC's forthright new president, explained it this way: "One of my assistants could have written me a paper to read, undoubtedly discussing more ably our problems, but I did not believe that is what you wanted when you invited me here. Whatever the thoughts following may lack, or whatever their merits, they give you sincerely my own personal thoughts and reactions."

MERCHANDISING works in roundabout ways its wonders to perform. Each month *McCall's* magazine dedicates its food-and-menu page to one particular retail group and one particular commodity which that group is promoting. This month for instance, Kroger is the guest conductor; cheese the featured subject. Each campaign is supported by the chain-store managers with special advertising and displays. All of which sells more magazines, stimulates the grocer's interest in *McCall's* and in the food products which it advertises, and helps sell space in the book to grocery manufacturers—which is the real idea.

THERE may still be time for an earnest student to read all that has been written about air conditioning but this new industry has already built up a remarkable bibliography. For your amazement and instruction, get from the Department of Commerce its recently issued "Condensed List of Sources of Information on Air Conditioning."

THE competition of the year's centennials has invaded even the boudoir. While Margaret Hayden Rorke, managing director of the Textile Color Card Association, announces that "apple blossom pink," official color of the Arkansas Centennial, is to be the summer hue, Lorch Manufacturing Co. of Dallas reports wide success with eight dress patterns with names like "Cactus Garden," "Alamo," and "Lone Star" inspired by the Texas Centennial. Diplomatic business men who sell to both states should see that the missus orders her "Cactus Garden" in apple-blossom pink.

GRAND RAPIDS will express itself in a "gigantic furniture festival" during the second week of its semi-annual market in July. The festival is to commemorate the 100th anniversary of the making of the first piece of furniture in the city—by "Deacon" William Haldane.

THE French railways' camping trains proved so successful last year that the plan is being elaborated. Instead of renovated freight cars fitted out with combination kitchen and sleeping quarters, the railroads this year are offering transformed third class cars, each with sleeping accommodations for 12, and a combination kitchen and dining room. There is a shower bath and toilet in each car, and heating facilities are provided in case travelers choose to use them in the winter. Rent runs to \$2.10 a day, for a minimum of 10 days, and the fares charged are about 1¢ a mile for a minimum of 250 miles. Cars are hauled to the camp site on regular trains.

LINE of the week—"If goods cannot cross frontiers, armies will." From an article by Francis B. Sayre, Assistant Secretary of State, in *World Trade*, journal of the International Chamber of Commerce.

# Washington Bulletin

WASHINGTON (*Business Week Bureau*)—Government spending overshadows Washington situation as Senate labors under difficulties—and under President's personal urge—to boost estimated yield of new tax measure. In his last-minute drive, President sought retention of 12½% to 15% corporation tax with stiff graduated levies on undistributed profits. However, surplus-sparing measure which satisfied Senate Finance Committee before White House conference (page 12) seems likely to be fairly close to law which Roosevelt will sign. It goes long way toward putting burden of government spending on stockholders of big corporations. It will take at least a fifth of corporate earnings, force greater dividend disbursements, boost many incomes into higher brackets, catch small stockholders on normal 4% levy.

## Relief Rebellion

No one expected Republican plan for shifting relief burden back to states and local governments to block Hopkins billion-and-a-half dollar appropriation, but Mormon Church throws real monkey wrench in charging that federal relief demoralizes recipients and in planning for levy on its own members to prevent this. Action may change whole course of anti-Administration strategy on vital relief issue. Mormon Church is a power in Utah and surrounding states, is strongly conservative and was formerly inclined to G.O.P.

## Only Two Ways Out

Tax experts all agree privately that if present federal relief spending continues, only La Follette's plan of going after small incomes or general sales tax can avert inflation.

## No NRA Contract Club

Revival of bill to subject all government contracts to quasi-NRA standards will probably simmer down to extension of prevailing-wage clause beyond present scope. Anything more means big battle, and time is short.

## Empty Sentiment

Labor sections of new Guffey coal substitute are just strong enough to irritate opponents, too weak really to please advocates. Provisions simply declare what is "policy" of U. S. Like a "whereas" resolution of a local improvement association.

## No Reverse Interpretation

ICC fails in attempt to put reverse English on commodities clause of Interstate Commerce Act that, since 1908, has prohibited a railroad from hauling freight owned but not intended for its own use. Commission argued that ownership of Elgin, Joliet,

## RECOVERY NOTE

*Production credit organizations, formed to lift farm debt burden by substituting amortization for renewal, report slump in business. A great many farmers have finished paying out.*

& Eastern by Big Steel made it illegal for road to haul products of Corporation subsidiaries under commodities clause. But Supreme Court doesn't agree.

## Truckers' Test

Last minute reversal by ICC of permission previously given eastern roads to furnish free pick-up-and-delivery service May 25 sharpens issue which truckmen regard as test of whether new Motor Carrier act is worth anything to them. Truckmen are driving for united front against railroads by including in American Trucking Associations, Inc., representation of private truck owners and manufacturers, oil companies and allied interests.

## No Science in It

Senator Copeland battles transfer of advertising control to Federal Trade Commission in House food and drug bill. "How can you tell if advertising is dishonest?" he asks. Answer: By scientific product analysis. But FTC has no chemists and no laboratories.

## Split on Flood Control

Whether local contributions toward cost of flood-control measures should be required is shoal threatening disaster to two pending bills. Senate favors principle in general, but not on lower Mississippi; House feels otherwise. Fight may kill both bills.

## Seedy Crop Plan

Apparently there is not enough planned economy in the soil-erosion crop-curtailment program. Fast thinking after AAA decision overlooked

fact that to plant conservation crops, such as grass, one must have seed. Sounds simple, for who ever heard of dearth of grass seed? But there is, and one-third of program will have to wait another year.

## A Georgia Power

New Deal is aghast at idea of power magnate running for mayor of Atlanta—and just as it thought it had everything in Georgia, including Gene Talmadge, settled. Preston B. Arkwright, president, Georgia Power Co., who figured in recent spanking of David E. Lilienthal over TVA claim that it had forced down electric rates in Georgia, is said to have fair chance of being elected.

## Silver Lining Still There

Protests against Treasury's continued silver buying will get nowhere. Purchase of newly mined silver at price which exceeds world market by more than 30¢ an ounce, thus amounting to actual subsidy, is too popular in silver-producing states. Nor is government willing to irritate further the inflationists and others who really believe silver policy sound.

## Thunder Over New York

Many Administration leaders think if Governor Lehman will reconsider and run for reelection, New York State would be clinched for Roosevelt. They ignore bitter attack on Lehman by Ex-Judge Daniel F. Cohalan, Tammany big-wig who speaks for considerable New York faction. This was launched in letter to Farley two days before Lehman announcement. Which spells trouble in New York State for Roosevelt if Lehman runs, and if he doesn't.

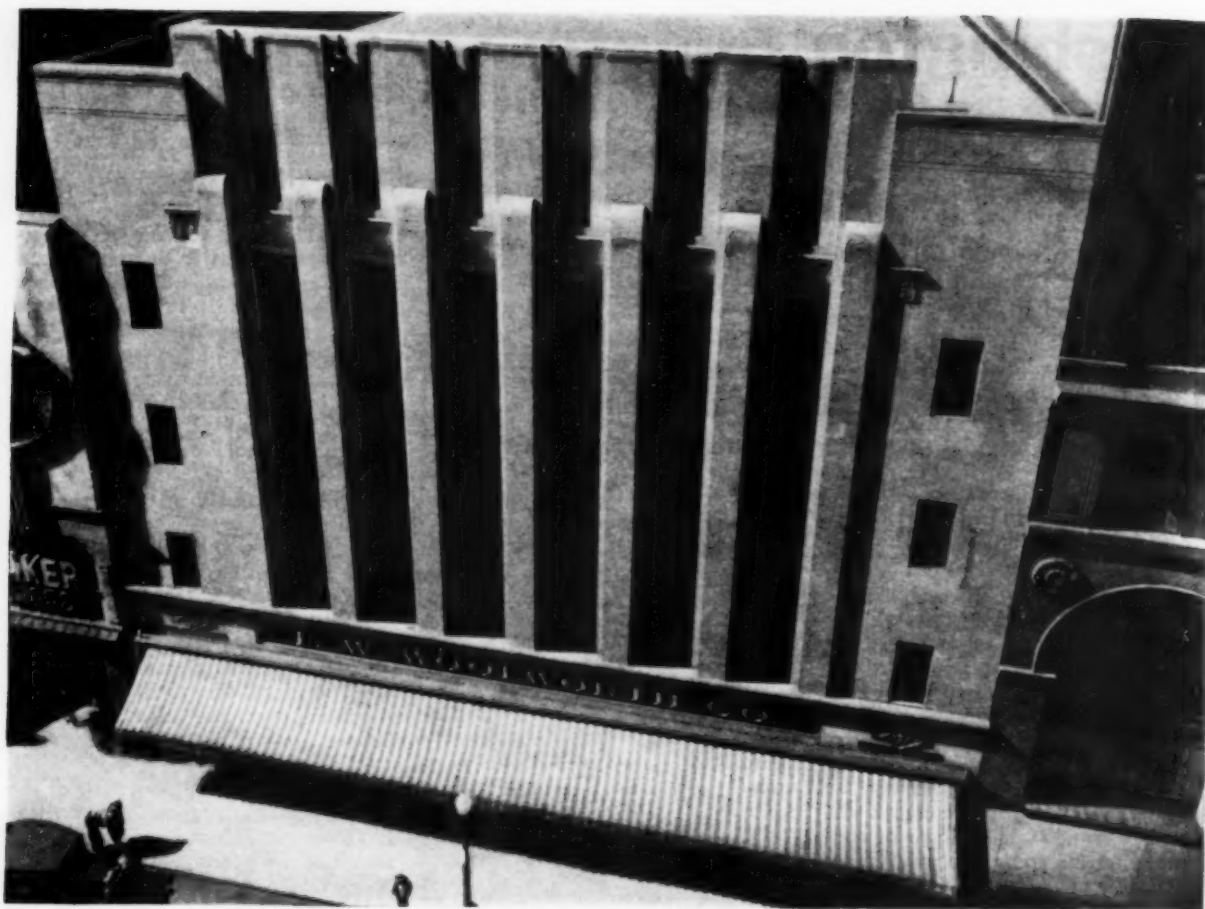
## East Doesn't Matter

As to presidential election, however, Roosevelt can be elected without a single state north of Potomac and Ohio rivers and east of the Mississippi. If he carries La Follette's Wisconsin he can also lose California. If he carries Maryland he can also lose Kansas. And still win. Lehman situation is important because Republicans cannot possibly win this year without New York.

## Second Place Man

Man who first put honey in a golf ball, L. A. Young, head of L. A. Young Spring & Wire Co., Detroit Molding Co., L. A. Young Golf Co., Star Service Hanger Co., etc., is now being boosted as G.O.P. vice-presidential candidate. Henry Ford says Young made best speech on either side in 1932 campaign. From newsboy to polo player, from business college to Gobelin tapestry collecting—write your own Horatio Alger title.





Ever since the F. W. Woolworth Company found their million-dollar profits in a five-and-ten-cent store, they have been continuously expanding, both in range of merchandise and in excellence of store buildings. Photograph at top is of a Cincinnati Woolworth mart, the steelwork of which was done by Bethlehem.

## Where Ten Cents Counts

WHEN a leading five-and-dime store decided to erect a new building in the competitive days of 1935, the job of the steelwork went to Bethlehem.

These shrewd buyers looking for price *in relation to quality* recognized that in Bethlehem they were dealing with the combination of experience and responsibility.

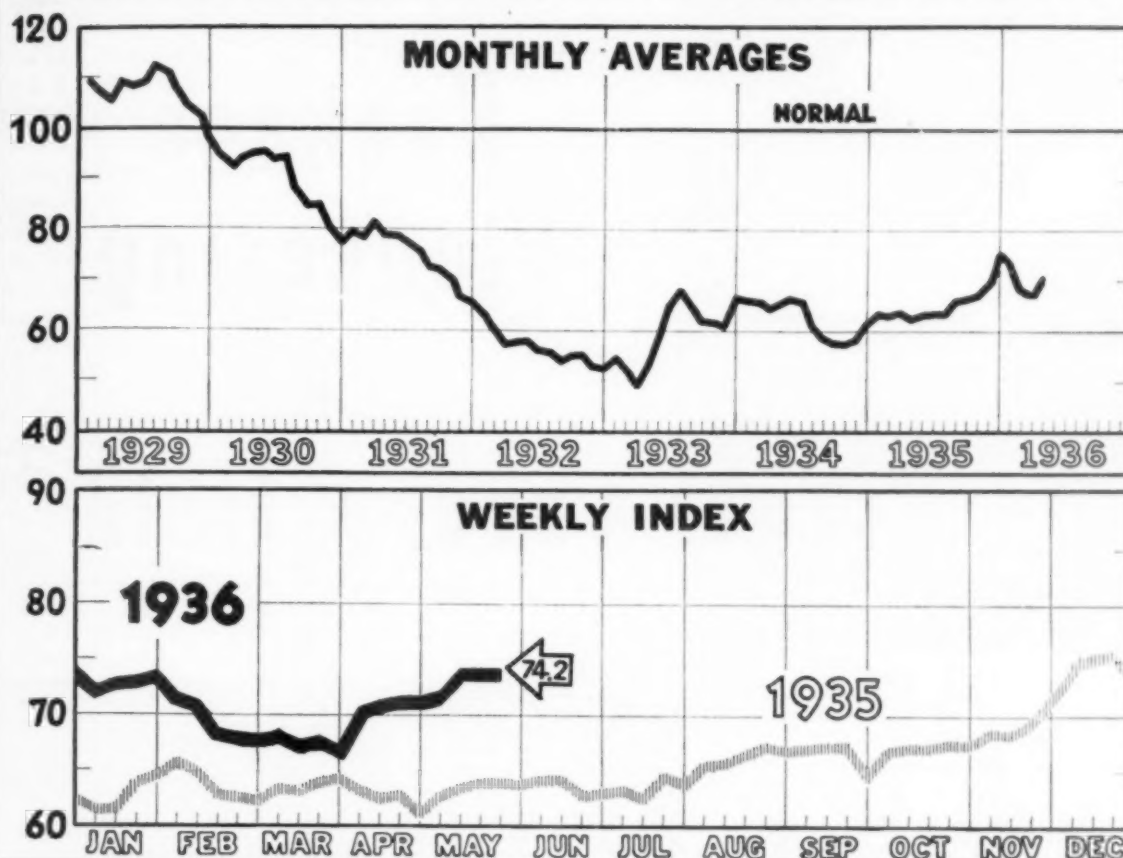
The fabrication and erection of steelwork—whether in an apartment or on a railroad bridge—is a highly technical task. Safety is paramount. The steel must bear the necessary stresses. It must be fabricated and put together on time. Time means dollars.

Bethlehem Steel Company, combining its McClintic-Marshall shops with its other fabricating facilities, is the largest steel construction company in the world.

**BETHLEHEM STEEL COMPANY**



# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



## BUSINESS WEEK INDEX

### PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1931-35
★ Steel Ingot Operation (% of capacity)	67.9	69.4	71.2	42.3	40.9
★ Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)	\$8,977	\$9,068	\$7,871	\$4,752	\$5,921
★ Bituminous Coal (daily average, 1,000 tons)	*1,126	1,143	1,131	975	936
★ Electric Power (million kw.-hr.)	1,955	1,962	1,933	1,696	1,583

### TRADE

Total Carloadings (daily average, 1,000 cars)	114	111	107	97	100
★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	74	74	74	64	69
★ Check payments (outside N. Y. City, millions)	\$4,072	\$3,804	\$4,038	\$3,552	\$3,382
★ Money in Circulation (daily average, millions)	\$5,896	\$5,888	\$5,874	\$5,496	\$5,307

### PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$ .94	\$ .93	\$1.06	\$1.00	\$ .77
Cotton (middling, New York, lb.)	*11.72¢	11.71¢	11.76¢	12.25¢	9.41¢
Iron and Steel (Steel composite, ton)	\$32.87	\$32.94	\$33.03	\$32.41	\$30.80
Copper (electrolytic, Connecticut Valley basis, lb.)	9.500¢	9.500¢	9.500¢	9.000¢	7.698¢
All Commodities (Fisher's Index, 1926 = 100)	80.5	81.0	82.5	82.7	70.2

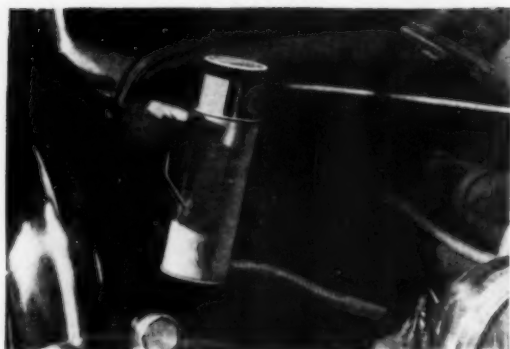
### FINANCE

Total Federal Reserve Credit Outstanding (daily average, millions)	\$2,470	\$2,469	\$2,478	\$2,476	\$2,021
Total Loans and Investments, Fed. Res. rep't'g member banks (millions)	\$21,799	\$21,820	\$21,783	\$19,775	\$19,382
★ Commercial Loans, Federal Reserve reporting member banks (millions)	\$5,097	\$5,101	\$5,060	\$4,916	\$5,879
Security Loans, Federal Reserve reporting member banks (millions)	\$3,256	\$3,257	\$3,272	\$3,143	\$4,521
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$1,177	\$1,177	\$1,223	\$1,015	\$1,037
Stock Prices (average 100 stocks, Herald-Tribune)	*\$115.24	\$115.00	\$114.60	\$100.74	\$98.21
Bond Prices (Dow, Jones, average 40 bonds)	*\$102.10	\$101.93	\$101.31	\$95.28	\$87.40
Interest Rates—Call Loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	1%	1.3%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1%	1%	1%	1%	1.8%
Business Failures (Dun and Bradstreet, number)	174	206	193	234	424

★ Factor in Business Week Index \*Preliminary †Revised.

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*Business Week*



# Package Pioneering in every field

● Preserving goodness . . . insuring purity . . . offering new protection and convenience for those who *buy*! Creating goodwill . . . new sales appeal . . . greater ease in marketing . . . for you who *sell*! These are but three of many revolutionary changes in product packaging, pioneered by the American Can Company. This company has always sought to meet the packaging needs of industry *before* they arise — to help manufacturers meet their customers the way they want to be met; with better things brought to them in new and better ways.



"KEGLINED" is the trade-mark of the American Can Company for its cans for Beer and Ale.

## AMERICAN CAN COMPANY

. . . 230 PARK AVENUE . NEW YORK . . .



# The Business Outlook

MAY has been an unusually stable month as far as business activity is concerned. *Business Week's* index has held at 74.2% for three consecutive weeks. Steel and motor production is slackening a bit, but freight traffic continues to climb to new high levels for the year with a comfortable margin over the loadings of the past four years. Power production has given an extraordinary performance this spring, putting the utility industry in good shape this quarter as far as gross revenue is concerned.

## Big Travel Season

Arrival of the *Queen Mary* on June 1 signalizes the opening of the summer season for the travel industry, which promises to be the best in several years. With railroad fares on Eastern roads dropped to 2¢ a mile on June 1 and a substantial advertising campaign instigated to drum up trade to offset the fare cut, the land travel business looks forward to considerable expansion. Air-conditioning of trains is expected to be a heavy drawing card this summer. Air-minded travelers also promise to be more numerous this year. The aviation industry is pressing new facilities into service to cope with the anticipated increase in traffic.

## Thriving Summer Industries

Other industries which find the summer months a source of quickening pace rather than a wilter of sales include air-conditioning which is set for new peaks this year; refrigerators, also primed to brush all past records into the shade; to say nothing of the motor industry and gasoline. Sellers of summer apparel and beach accessories look forward to good business. Light clothing sales for men are in for good gains over last year.

## Farm Income Soars

Records for both farm income and industrial payrolls testify to the good start which the summer season is getting. In the first four months, farm income has exceeded every year since 1930, rolling up a total of \$2,079,000,000 with benefit payments contributing only \$62,000,000 of this total. Last year when benefits were running around \$221,000,000 farm income fell short of the two billion dollar mark. The farm regions are likely to continue to be excellent fields for sellers of motor and farm equipment, and mail order goods.

## Gain in Factory Jobs

Factory employment made one of the rare gains for April in the 17 years for which records are available.

## BUSINESS RECORDS— STATE BY STATE

*On page 34 of this issue, Business Week presents another breakdown of business gains and losses for the first quarter of 1936 compared with the same months of 1935 for the 48 states and the District of Columbia. Except life insurance, every line of business pictured here shows a good gain over the first quarter of 1935. Study the "checks drmen" column for indications of general business volume. And check your sales against these records.*

About 80,000 persons were added to payrolls, with significant gains in such durable industries as locomotives, shipbuilding, steam and electric car building, and aircraft. Another 175,000 workers were added in the non-manufacturing fields, chiefly in retailing. Durable goods industries now have 8% more employees than a year ago, while the non-durable goods industries have 1% fewer employees.

## Steel Price Increase

Metal markets viewed the boosting of a number of steel product prices for third quarter delivery with mixed emotions. Scrap prices have been tending downward for several weeks. The slack season for steel operations is at hand. Former boosts under such circumstances have not been notable for holding successfully under any determined resistance from buyers. There is apparently no enthusiasm for the move within the industry, though mills are likely to follow the lead set by Carnegie-Illinois.

## Freight Car Purchases

Feature of the steel market has been the buying of freight cars. May books, still incomplete, contain orders for 9,750 cars, the largest since last December when the Pennsylvania Railroad created a stir by its 10,000 car order. A secondary rail-buying program is expected later this year.

## Early Start on Autos

Motor buying of steel has fallen off as assemblies decline, but it now ap-

pears that specifications for 1937 models will be ready by July 15, 30 days earlier than last year. This should help sustain steel activity somewhat this summer.

## 5% More Cars Made

Motor assemblies last month exceeded expectations. Official figures just released showed that 527,726 cars were produced in the United States and Canada, a 5% gain over last year and the best April since 1929. First four months' production runs a modest 4% ahead of the same months last year.

## Tariff Dangers

New England textile mills that received a 42% increase in tariff rates to protect their \$5,000,000 business at the risk of jeopardizing a \$100,000,000 raw cotton export business are making holes in the State Department's program of expanding trade through reciprocal trade treaties.

## Vigorous Foreign Trade

Our April foreign trade results are of interest in that the usual sharp decline in exports was cut to 1% while imports actually increased instead of declining. Important gains in exports compared with a year ago are apparent in raw cotton, unmanufactured tobacco, petroleum products, machinery, and electrical apparatus. Value of iron and steel semi-manufactures jumped from \$3,967,000 to \$8,095,000; of industrial machinery from \$10,370,000 to \$14,737,000.

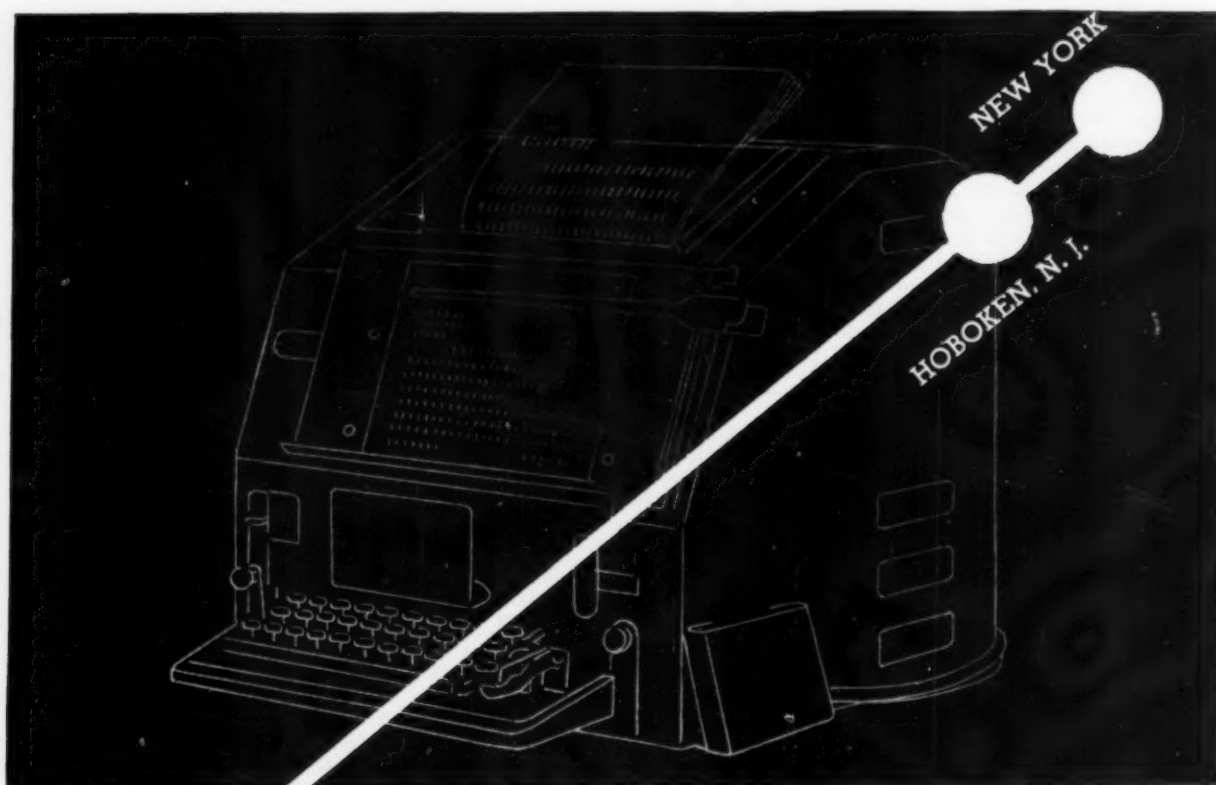
## What Construction Is Doing

Early reports on May construction activity indicate a slight decline from the preceding month except in the residential field which is still going strong. Home building in early May ran 60% ahead of last year; non-residential building gained 43%; public works and utilities 108%. Important projects appearing in the past two weeks include a \$1,000,000 pulp plant at Tacoma; a \$1,500,000 pipe and terminal project at Los Angeles; a \$1,500,000 cement plant improvement at Birmingham, and a \$3,500,000 office building for Rockefeller Center, New York.

## Coal Agencies Revive

Death of the Guffey Act was a resurrection signal to a group of coal sales agencies. Appalachian Coals, Inc., has taken steps to resume activity. Others are expected to follow. Fear of price collapses motivates these moves, though the low level of stocks in the hands of consumers and the favorable outlook for business activity should relieve some of the pressure which consumers may wish to exert on prices.

# BELL SYSTEM SURVEY DEVELOPS 4 IMPORTANT OPERATING ECONOMIES FOR AMERICAN COMMERCIAL ALCOHOL CORP.



PEKIN, ILL.

THE American Commercial Alcohol Corporation recently installed private line teletypewriter service (typing-by-wire) between its New York headquarters, Hoboken warehouse, and Pekin, Illinois, plant as the result of a joint survey by company executives and Bell System representatives.

Now, special order forms and invoices, typed once at any office, are instantly reproduced at all three. All offices can function almost as if they were under the same roof. In addition, these four specific advantages resulted.

1. Order forms were combined, simplified, and the number reduced from five to three.



Faster, easier handling and simultaneous preparation at all points virtually ended errors.

2. The multi-copy feature of the service made it possible to cut the number of order-writing operations from eight to three—with a consequent saving of \$500 a month.

3. Billing was speeded up by two to four days. Serious customer complaints on delayed invoices were eliminated. Earlier remittances save more than \$500 monthly interest charge.

4. Accounts-receivable figures were brought up to the minute, instead of being three or four days late, and the monthly savings made possible by the service more than offset its cost.

★ Experienced Bell System representatives will carefully review your business with you to see whether operating economies or improvements can be effected by modern communication methods. No charge. Call the Business Office of your local telephone company.

MAY 30, 1936

## Gravy for Tax Lawyers

**They prosper by Bureau of Internal Revenue's policy of pushing every claim, to the disadvantage of small businesses that can't afford to fight.**

WASHINGTON (*Business Week Bureau*)—While business awaits the new taxes on which Congress is now working, the situation which has arisen in the collection of old ones is causing increasing concern.

Washington's long array of tax lawyers, the men who fight to keep taxpayers from being forced to pay what the Internal Revenue Bureau insists upon taking (assuming that the taxpayers have enough money to pay the tax lawyer), are booked solidly from now on.

### No-Compromise Fight

One explanation is the complicated nature of the House bill, some nebulous parts of which, business men fear, may be preserved in the final draft, despite the Senate's effort to simplify and clarify. But far more important is the attitude of the present administration of the Bureau of Internal Revenue, to which attention has already been called in *Business Week*. This attitude is, simply stated, that the bureau, almost regardless of law and precedents, goes after all it thinks it can get, refuses to compromise anything and forces the taxpayers either to pay or litigate.

Washington lawyers are chuckling over a recent remark by Judge Morris A. Soper of the Circuit Court of Appeals at Baltimore. A case was being heard where the complaining company said that the Board of Tax Appeals paid no attention to the decisions of the Supreme Court on certain questions.

Another justice on the circuit court commented on this statement made in a brief as filed by a Washington tax lawyer.

"Hm," he began, "We knew the Board of Tax Appeals did not pay any attention to the rulings by this court, but we did not know it was also ignoring decisions of the Supreme Court."

"Maybe," remarked Judge Soper, dryly, "they have been reading the *Harvard Law Review*."

Every lawyer in Washington knows that there is violent disagreement in policy between the lawyers of the Department of Justice and those of the Internal Revenue Bureau. The Depart-

ment of Justice lawyers prefer to follow the normal practice of considering precedents and court decisions carefully before trying a case against a protesting taxpayer. The Bureau of Internal Revenue lawyers want to litigate every case unless the taxpayer pays the full amount claimed by the Bureau. Washington tax lawyers are much mystified by this but assume that the bureau is merely following orders given by Sec. Morgenthau, whose zeal to make a record on tax collections is well known.

Recently an important case was decided against the government by a lower court. Lawyers who had several different cases, precisely on all fours, so far as they could see, assumed that this case would settle theirs, after they had been told that the government did not intend to appeal. The Bureau of Internal Revenue attorneys, however, informed the tax lawyers that, although the government would not appeal, it would not regard the case as a pre-



*National Petroleum News*



**MOTORISTS CARRY THE LOAD**—American Petroleum Industries Committee set up this striking display at the ninth annual Petroleum Exposition, in Tulsa. At the south entrance to the grounds, an old car, broken down under a huge burden of taxes, greeted visitors. The tank behind the car lists all principal special taxes borne by oil, totaling more than the price at the well. Other barrels (left) portray other phases.



## What House and Proposed Senate Tax Bills Would Have Meant in 1935

(In Thousands—000 Omitted)

Company	Estimated Tax Paid in 1935	House Bill		Senate Bill			Net Change in Tax	
		% Tax Based on Undis- tributed Income	Estimated Tax	18% Cor- porate In- come Tax	7% Tax on Retained Income	Total Estimated Tax	House Bill	Senate Bill
American Telephone & Telegraph..	\$23,434	—	None	\$28,121	None	\$28,121	—\$23,434	+\$4,687
American Tobacco .....	4,285	2	\$571	5,142	None	5,142	— 3,714	+ 857
American Water Works & Electric..	388	7	181	466	\$9	475	— 207	+ 87
General Electric .....	4,913	12½	4,054	5,896	467	6,363	— 859	+ 1,450
General Foods .....	2,016	9½	1,340	2,474	127	2,601	— 676	+ 585
General Motors .....	29,466	13½	30,319	35,441	3,794	39,235	+ 1,053	+ 9,769
Owens-Illinois Glass .....	1,269	16½	1,510	1,648	189	1,837	+ 241	+ 568
Pennsylvania R.R. ....	4,209	19	5,331	5,051	689	5,740	+ 1,122	+ 1,531
Sears, Roebuck .....	4,661	27	7,069	4,712	936	5,648	+ 2,408	+ 987
Standard Oil (N. J.) .....	11,093	10½	7,488	13,312	701	14,013	— 3,605	+ 2,920
U. S. Steel .....	202	—	None	243	None	243	— 202	+ 41
Western Union .....	928	25½	1,577	1,113	209	1,322	+ 649	+ 394

Business Week

cedent! This is the more interesting because the tax lawyers here are unanimous in believing that the only reason the government did not appeal was that it was sure it would lose if it did.

Nevertheless, despite this obvious belief on the part of the Bureau's attorneys, they would not compromise existing cases of a similar nature. They insisted on making every claimant fight in the courts.

This is fine business for the tax lawyers. It makes big fees for them. For it is the big corporations which fight

their cases through and do not have to surrender.

But the little fellows with precisely similar cases, who do not feel that the game justifies the candle, have to pay. The expense to them of litigating, fighting up through the courts when the government appeals, would be greater than the additional tax the Internal Revenue Bureau is seeking unjustly to force them to pay.

Which amounts, in effect, to a discrimination against the little, and in favor of the big.

hardly sufficient to cause corporation comptrollers to lose sleep nights. The dollar sum does not bulk unduly large, as the accompanying tabulation shows.

There is one interesting point for crotchety accountants in the Senate bill. If two corporations earned precisely the same amount, but one paid out more in dividends than the other, then the tax cost per unit of sales would be higher for the company which ploughed back earnings. (Figure it out yourself for two companies with net, after the 18% tax, of \$100,000, one of which pays out \$100,000 in dividends, the other of which pays out \$70,000.) As a cost factor this might be important in a highly competitive, narrow profit margin industry.

The House draft deals kindly with corporations which pay out more than 55% of their earnings in dividends. These would pay less than the current 15% corporation levy. The Senate, on the other hand, hikes up the tax bill all along the line. There is no escape from the 18% impost, except to lose money.

That accounts for the dozen plus signs in the last column of the tabulation, as against only five increases under the House bill. In only two instances, Sears, Roebuck and Western Union, the burden would be heavier under the House measure than under the Senate's scheme. That is because both companies have been paying out in dividends a relatively small proportion of net income.

The Senate plan gathers taxes directly—as soon as a corporation records a profit on its ledgers. The House, on the other hand, leaves the tax income open at both ends. Nothing is collected if corporations pay out all earnings in dividends; and after that, what can be realized in actual cash from stockholders, is a hit-or-miss proposition.

## Tax Alternatives

### Senate and House tax plans show important differences in principle and in effect.

WASHINGTON (Business Week Bureau)—As Congress this week went through the motions of a Garrison finish to adjourn before the Republican Convention (June 9), the tax bill nobody likes retained only the flavor of the original surplus-soaking philosophy—but President Roosevelt wanted it put back.

At a special White House conference, the President submitted to senators a Treasury plan calling for retention of the current 12½% to 15% levy on corporate earnings, plus a severely graduated tax on undistributed profits. Ostensible object: higher revenue. But senators were not entirely sold on the idea of forcing corporations to pay dividends and to refrain from ploughing back earnings.

The bill passed by the House provided for a straight undistributed profits tax, whereas the Senate had turned to the traditional base of a tax on income to obtain the bulk of the revenues.

The point of contact between the two

measures was to make the corporation the sieve through which the money is to come. In the House bill, the tax would be on undistributed income, and if all is distributed then the Bureau of Internal Revenue would collect from the stockholder. Senate plans called for a straight 18% levy on income (against 12½% to 15% impost now in force) and after that a straight 7% "touch" on retained earnings.

In each case, the normal 4% income tax would apply to receipts from dividends, thus resulting in a double levy on absentee owners of corporations.

The Senate version would not revolutionize corporate operating policies nearly as much as the dictated-but-not-read draft which barged through the House.

True, in the Senate plan there is the slight incentive to pay out in dividends as much as possible; and, as a corollary, to refrain from ploughing back earnings. But the 7% tax on retained income is

# Mechanical Hands

**Modernization brings increasing use of conveyors, plant trucks and other cost-cutting, speed-making equipment designed to fetch and carry for industry.**

EFFORTS to reduce manufacturing costs in today's highly competitive markets are making the purchase of mechanical handling equipment an increasingly important feature of the recovery buying. Leading manufacturers of such equipment report sales volume up 100% to 600% above the depression low, though still considerably under the 1929 level. One company sailing along 10% ahead of its 1929 total is an interesting exception.

The automobile and steel industries have provided the most lucrative orders. One large concern has had a substantial business from coal mines since the first of the year. Important among other buyers are paper and glass makers, breweries, electrical appliance manufacturers, and oil companies. Much equipment is being installed for warehousing as well as manufacturing purposes.

## Trend to Rollers

Both heavy and light types of equipment are in demand. In the steel industry the trend is toward roller conveyors with capacities ranging from 2,000 to 8,000 pounds per roller. Conveyors are used in continuous sheet mills to carry coils up to 25,000 pounds and for handling sheet packs.

A conveyor manufacturer often gets an order by designing equipment which considerably lowers the user's production costs. Factory conveyors (overhead, roller and belt, floor type) are usually made of standard units fitted to-

gether into whatever combination best meets a local requirement. They are tailor-made, in that no two are exactly alike.

Overhead monorail conveyors carry stock from one department or operation to another, sometimes serve as storage for parts. At the huge Plymouth factory in Detroit, overhead conveyors are used for this purpose, leaving floor space clear for manufacturing. Floor-type conveyors (belt, drag chain, etc.) are mostly employed for sub-assembly or final assembly operations in mass production industries — automobiles, radios, electric refrigeration.

Electric and gasoline trucks and truck-tractors haul heavy materials often in "tote" boxes from receiving stations to fabricating points inside factories, are used extensively in departments for handling bulky products, serve as feeders for conveyor lines. Electric trucks now have a device which flashes a red warning light when the battery needs recharging.

At one time materials handling was chiefly concerned with transportation from one point to another without much consideration to handling the load at the point of pick-up and discharge. This is no longer true. High-lift and other trucks which operate in limited spaces and can pile stock high are gaining ground because of increased flexibility built into them. An industrial truck maker observes that the types performing operations saving the greatest

number of man-hours and increasing storage space by higher stacking of materials are in greatest demand.

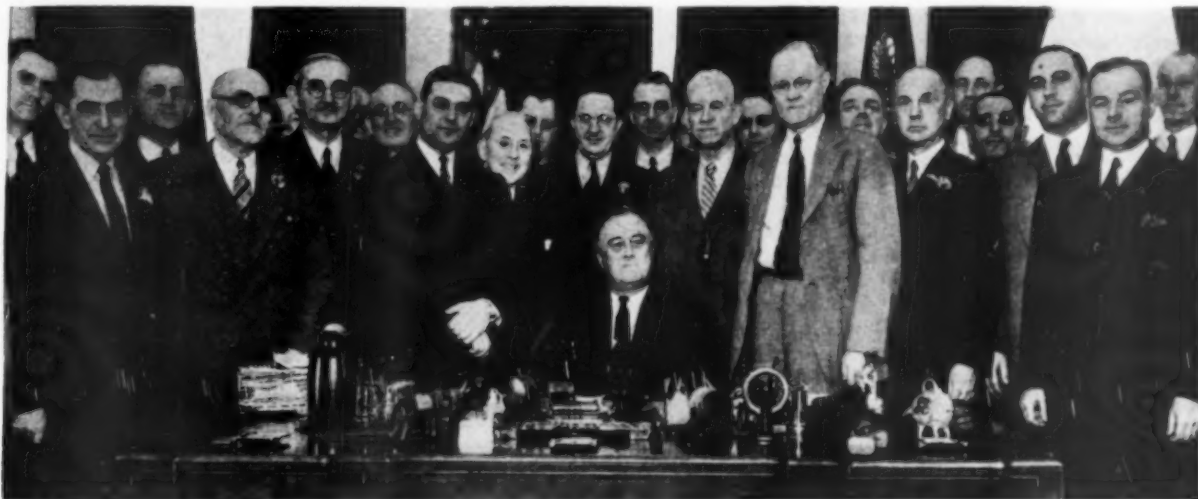
Growing popularity of the package method of distribution (canned oil, canned beer) necessitates well-designed conveying equipment in factories, already has spelled increased business for builders of handling devices. There also is a tendency among manufacturers to seek handling equipment to help solve special production problems and to tie in with special processes, such as sand conditioning in the foundry and preparation of coal at the mines.

Many sales can be traced to improved designs which equipment companies have brought out, forcing older types into retirement. Not to be ignored is the appearance of a style factor in conveying equipment. Buyers no longer are content to purchase a truck or conveyor line which has utility, but is an eye-sore. Designs must be in keeping with the new conception of "good house-keeping" in the plant.

## They Also Benefit

Labor's hostile attitude toward further introductions of mechanical handling equipment is softening, according to equipment builders. People are beginning to realize mechanical methods of production are here to stay and to be improved upon, that as a result of them goods are manufactured at a lower cost and markets widened. Workers are also glad to have physical tasks lightened.

Equipment makers think it a mistake that their products ever were tagged as "labor-saving," recently have deftly turned to the more appealing term "labor-serving" which they declare more accurately describes their contribution to modern industry.



**NOT A DISSENTING VOICE**—Everyone, from the President down, congratulated railroad management and labor as they walked into the White House and reported complete agreement on disposition of employees forced out of jobs by mergers or technological advances. Dismissal wages are to cover periods

ranging from six months to sixty months, depending on length of service. The agreement, signed for labor by H. A. Enochs (President's left) and for employers by George M. Harrison (President's right), does away with necessity for the Wheeler-Crosser bill or like legislation, and is hailed as epoch-making.

# Latest Round in Food Bill Fight

**Even if House accepts its committee's severe amendments, there will be a clash in conference. Time is against enactment of bill this session.**

ONE year ago this week, the Senate passed the Copeland food and drug bill. And not until last week did that piece of battle-scarred legislation emerge from the House Interstate Commerce Committee. And next week, according to schedule (such as there is in a Congress hell-bent for election), the bill should go through the House.

But the bill which the House may pass and the bill which the Senate has passed are two signally different documents. Which means that the final bill—if, as, and when—is yet to be written in conference. And whether the present session will last long enough to accommodate such a firecracker function is anybody's guess. Food, drug, cosmetic, and advertising interests are hoping that it will with varying degrees of fervor. But nobody is offering any better than even money that the lawmakers will come back to work after the Cleveland and Philadelphia convention follies, and unless they do, it looks very much as though the food and drug issue would hang around to serve as a political football in the forthcoming campaign. Maintenance of the President's revived interest in the measure might expedite matters, but no one expects much help from this source.

As far as the House version is concerned, Rep. Virgil Chapman, head of the subcommittee which has kept the bill under its very close wing for a year, has made good his promise, issued at last summer's hearings, to do a comprehensive job. And as trade interests feared (*BW*—Apr 4 '34, p. 32) the job he has done is with a few notable exceptions much more to the liking of the Food and Drug Administration and their consumer allies than the Senate measure.

## How Bill Is Tougher

These are the respects in which the bill may be considered tougher:

(1) It modifies the Bailey Senate amendment by permitting the multiple seizure of goods that are falsely advertised when such misbranding "is, in a material respect, false, misleading, or fraudulent."

(2) It knocks out the privilege, accorded manufacturers by the Vandenberg Senate amendment, of having seizure cases against them tried by the federal court in their own districts. Unless the F&DA agrees to such locale, the House bill provides that the case can be tried no nearer home than the adjacent district.

(3) It provides for compulsory quality grading and labeling of food prod-

ucts, excepts only fresh fruits and vegetables from standards requirements.

(4) It restores to the Secretary of Agriculture several exclusive grants of discretionary authority to issue rules and regulations which were part of the original Tugwell bill and which industry had labored to curtail. The machinery for the establishment of two committees, one on public health and one on food standards, to supervise regulations, was completely junked.

(5) It adds stringent regulations for the labelling of distilled liquors, modeled after those rejected by the Senate in the liquor tax bill recently. These provide for the declaration of alcoholic content by volume percentage and of the amount, kind, source, and age of all whiskies contained in a blend.

These are the respects in which the House bill is considered less tough:

(1) It takes from the F&DA and gives to the Federal Trade Commission authority to move against false advertising and specifies that FTC shall follow its present procedure in such action.

(F&DA would be able to make multiple seizures for false advertising, however.) Some drug interests have fought fervently for FTC control, but other manufacturers, poignantly conscious of FTC's increased activity and burning ambition, are not so sure that its control would be easier to bear. Still others are skeptical; they say the provision was put in simply for trading purposes.

(2) The House bill requires that the F&DA establish definite proof that a substance is poisonous or deleterious rather than simply a potential threat as Senate phrasing would permit. Fresh fruit growers think it will make the hardship of prosecution for spray residue less onerous, and cosmetic manufacturers feel tolerances will not be drawn quite so finely.

## No Ingredient Listing

(3) It relieves proprietary medicine manufacturers of the necessity for listing ingredients on labels.

(4) It provides that the F&DA shall give manufacturers a sample of seized goods or a copy of the bureau's analysis in the case of perishable products before seizure cases come to trial.

There are half a dozen additional alterations in the House version, but these are the significant points of difference scheduled for debate first on the House floor, then in conference.

# Refrigeration School

**Industry expects new privately-owned Chicago training school will solve troublesome service problem.**

A UNIQUE organization clinched its status as a full fledged trade school last week in Chicago when the Refrigeration and Air Conditioning Institute dedicated its new laboratory and students' work shop.

Servicing of mechanical refrigerating equipment has been a serious problem in the industry. Individual manufacturers could not maintain a nationwide service organization without increasing costs to a point where necessary price increases would affect competitive status. Distributors and dealers complained that they were unable to find experienced repair men, could not afford to pay employees to learn the work at the factory. Manufacturers' training schools helped materially, but by the time they were functioning the industry had grown up to the point where trade-ins were a problem and dealers' service men had to know the kinks of all types.

The Institute has been established by Ray D. Smith, its first president, to provide a course of training that will fit men for that class of work, and while major emphasis is laid on refrigeration, a complete course of the theory and practice in air conditioning is included.

The unique feature of the Institute is that, while privately owned, its policies, courses and general procedures are determined by a board made up of manufacturers' representatives.

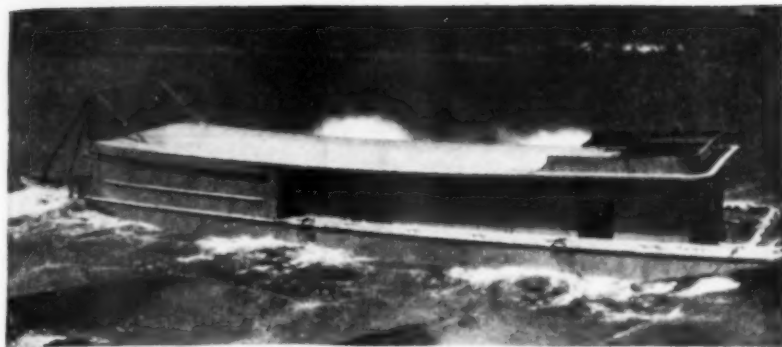
At present that board consists of the following men: L. K. Baxter, Westinghouse; E. A. Seibert, Kelvinator; Chas. D'Olive, Stewart-Warner; C. L. Olin, Servel; J. R. Cameron, Norge; A. G. Sutcliffe, Ilg Ventilating.

Already over 2,700 students are enrolled. They are drawn from many fields; some have had service experience, others are mechanics, garage, or machine workers seeking a more lucrative future. The basic requirement is a high school education. The student must complete a 15-month home study course covering practically all the different makes of equipment.

When he has finished that, he must spend 2 weeks in the shop at Chicago for practical training, and to make sure that he comes, the tuition fee of \$140 includes free transportation to Chicago and home.

Of the first class of 26 students now going through the last week of training, 24 already have jobs.





**LIGHT, STRONG, AND STURDY**—Pittsburgh Coal Co. launches another arc-welded, all-steel towboat for its modernized inland fleet. Dravo Corp. built the new boat, christened *Ranger*. Greater strength, less weight, and much greater freedom from leaks and wear are claimed for it, as compared with wooden or riveted metal vessels.

## Truck Sales Break Records

**21% more commercial vehicles sold in first four months than in same period last year. Production by end of June will hit new high.**

COMMERCIAL car and truck sales are bearing out predictions that 1936 would shatter all records. Over 191,000 new units were sold domestically in the January-April period, a gain of 21% over the 157,133 units sold in the same months of 1935. Production up to May 1 was 313,000 units, will touch the half-million mark by the end of June, thereby establishing a new first-half record.

The year started with a zip and there has been no letdown. Sales in January topped 43,000. Despite a long stretch of zero weather, over 40,000 units were bought in February. March set an all-time high for that month, with 52,000 units. April, with final returns not yet in, may have exceeded the previous peak month for the industry—57,943 units in July, 1929.

### Plus Federal Purchases

These figures, tabulated by R. L. Polk & Co., do not include large sales to the federal government, so that total sales actually have been higher than reported.

The domestic sales bogey for the year is 600,000. Add to this the brisk demand from abroad, and the industry is likely to produce more commercial cars and trucks this year than ever before. 1929 holds the record, with an output of 826,817 units.

Truck buying isn't a seasonal business any longer. About as many units are sold in the last half of the year as in the first half, hence the industry confidently is expecting the present sales boom to continue.

Farmers have been the biggest buyers of trucks. Whereas they purchased only 8% to 12% of all trucks sold during the lean years, this year they are

accounting for almost 30%. They normally operate around 26% of the country's trucks.

The construction industry, getting part of its impetus from direct and indirect federal financing, has provided a substantial amount of truck business. So have commercial haulers, particularly for tractor and trailer combinations. Fleet operators are buying more trucks, but in many cases haven't yet cut loose with big expenditures.

One company observes that the industrialized East, usually far in the lead in sales, hasn't proportionally been so productive of orders as farming areas. If it had been, present manufacturing capacity would have been inadequate to fill the retail demand.

The half-ton truck is getting some business this year which has been going to the 1½-ton truck, partly because in many states license fees for the latter are excessive. Cab-over-engine models are expected to grow in favor not only in heavy-duty trucks, but also in tractors for pulling trailers. Shortening of overall length to meet state regulations and increased efficiency are the reasons.

### Streamlining Values

Streamlining is getting more attention, but necessarily must be subordinated to utility. Streamlined tank trucks are used by large oil companies largely because of their advertising value on the road. Streamlining has an intangible value, too; it makes trucks look less massive on the highways, softens a bit the attitude of most passenger car drivers towards trucks in general.

Diesel-powered trucks aren't ready to invade the volume market. In the first place, a complete gasoline-propelled truck can be bought far more cheaply

than a diesel truck engine. And in the second place, leading truck makers aren't satisfied that all the objections to diesels have been overcome.

### G.M. Is Experimenting

Development work on truck diesels, however, is proceeding briskly. One company has experimented for eight years, recently has had cars out on tests. General Motors recently has expanded its diesel experimental department at Detroit by taking over part of the Cadillac-La Salle plant, may have something to offer by 1938.

The 6% financing plan for passenger cars has been extended to commercial cars and trucks. Trucks aren't tied in to the trade-in problem so closely as passenger cars. One company says its dealers sell seven used passenger cars for every four new passenger cars, but only four used trucks for every five new trucks. The explanation is that thousands of operators drive their trucks literally until they fall apart and have no trade-in value.

Among the automotive Big Three—Chevrolet, Ford, Dodge—Dodge has made the best relative showing, with truck sales up 50% from last year. Chevrolet, with a 40% gain, tops the industry in volume. General Motors Truck has more than doubled its sales of a year ago.

Independent truck builders have done well. International's sales are up 52%, Studebaker's 65%, Mack's 98%, Federal's 45%, White's 86%.

## Detroit Crusade

**SEC starts injunction suits, charging worst "boiler room" in country.**

TERMING Detroit's "boiler room" operations the worst in the country, the Securities and Exchange Commission has instituted the first of a series of injunctions at Detroit to keep questionable brokerage houses from doing business.

SEC officials are convinced that a horde of fraudulent operators has descended on the prosperous automobile city. These operators have been attracted by several factors: (a) Detroit people always have been speculatively inclined, spending money fast when they have it, and today they have it to spend; (b) the Michigan oil boom has given an opportunity to sell oil stocks of a speculative nature; (c) the Michigan Corporations & Securities Commission, it is implied, has been lax in its enforcement of the state laws.

Initial action taken by SEC is an injunction against Benner, Owens & Co. which is accused of rigging the market on stock of the Old Dutch Refining Co. Last November this company made a

contract with Old Dutch to sell 450,000 shares of preferred stock at \$1 a share. Under Michigan law, 85 cents of each \$1 would go to Old Dutch, only 15 cents being allowed for selling expenses. Yet Benners, Owens is said to have paid its salesmen 14 cents a share, leaving 1 cent for all other expenses, including, it is alleged, huge telephone bills.

A. Paul Benners, Sr., according to SEC's complaint, put up a \$350,000 unsecured demand note, in effect selling the stock to his company, and then advertised that the stock had been sold and fully subscribed. This gave his company a chance to tell clients they would have to buy Old Dutch stock in the open market at prevailing prices. Between Dec. 13 and Mar. 15 the stock thus was boosted to \$3 a share, the Old Dutch Co. getting only part of the money, Benners, Owens & Co. pocketing the difference, it is alleged.

Benners, Owens sent out to mailing lists a sheet offering free investment advice. It followed up with a telephone campaign to switch clients out of stock that they held into Old Dutch, the SEC charges.

When SEC representatives first came to Detroit, a number of salesmen with

shady reputations voluntarily left. Some 12 to 15 brokerage firms are reported under surveillance. Certain legitimate houses are critical of their fellow members and of the Detroit Stock Exchange, saying that if a vigorous stand against malpractices had been taken several months ago, conditions might have been remedied without resort to federal help and the consequent publicity.

SEC officials intimate that there has been bribery somewhere. Observers declare that if the state commission had done proper policing of securities houses as permitted by Michigan law, the "gyp" firms would never have secured a foothold in Detroit.

The state commission tartly asserts that it suspended the license of Benners, Owens & Co. on Apr. 17 (but not until after SEC had begun its investigation). It denies that it has adopted a policy of "let the buyer beware"; it asserts, on the other hand, that it is not a policeman, that it is doing what it can to protect the public, that the investor should be reasonably cautious before buying securities. It intimates that SEC is being used by the national Administration to help smear Republican Michigan in an election year.

## Power Companies in the Money

**Electrical energy production is running nearly 15% higher than last year and, in spite of rate reductions, there are sharp gains in revenue.**

WHEN representatives of the public utilities gather in St. Louis next week for the annual convention of the Edison Electric Institute, they will have at least a few things to talk about that are more pleasant than federal competition. The brightest spot in the picture is record electric energy production and, despite many adverse factors, these records are finally being translated into improved net earnings. In fact, the outlook for the second quarter profits is decidedly the best since the early stages of the depression.

### Erasing the Summer Slump

That the power companies were on the way back has been clearly evident from operating statistics—conspicuously electric energy production—for some time. Only now, however, have these trends become sufficiently clear to support some measure of generalization. And the most obvious conclusion is that the industry has gone a long way in overcoming the summer slump in the use of juice.

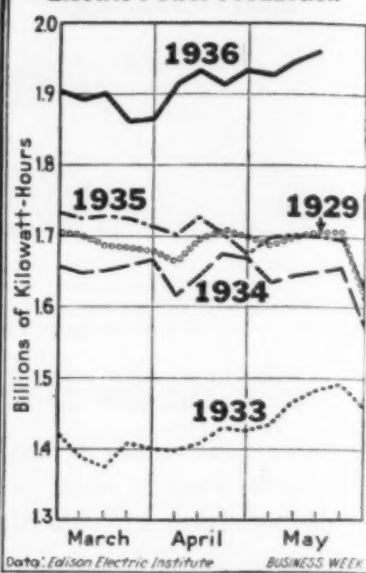
Ever since the serious flood interruption in March, the trend of electric energy production has been upward in sharp contrast to the customary decline of the spring and summer months. So marked has been this rise, in fact, that

the average gain over 1935 in recent weeks has run pretty close to 15%. This, of course, will not mean anything like a 15% rise in gross income because of steady rate reductions, but it would not be surprising if the second-quarter revenues show a gain of between 6% and 8% in the aggregate. (The increase would be larger if it were not for the fact that April revenues—derived from March operations—directly reflected flood troubles.)

The industry's gross revenue for March showed the best gain over the comparable month of the preceding year since the dark days of 1932 and 1933. According to Edison Electric Institute figures, the utilities took in \$165,650,200 in that month, a rise of 6.3% over the \$155,884,400 for March, 1935. As previously noted, April may not continue this sharp upswing because the month's totals will be distorted by flood interruptions. Coming to May and June, however, the outlook has not been so happy in years. These earnings reports will, of course, cover April and May operations. Industrial demand for power has held up exceptionally well (in March it was the best ever recorded for that month) and, on top of that, the decline in residential uses has been the smallest on record.

## Why Earnings Are Rising

### United States Electric Power Production



**NO SEASON**—Up goes electric output, ignoring the adverse influence of summer's longer days. Up, too, go the earnings of the public utilities.

This mild reduction in mid-year consumption of electricity in the home is one of the industry's proudest boasts at the moment. It reflects the generally progressive policy in rate reduction for customers who use more energy and has been magnified by the intensive drive to sell major appliances which will build up the summer load—refrigerators are the most important but water heaters and electric ranges are a factor. To no small extent the public utilities have tied the appliance sales campaign to the rate consideration with gratifying results.

### Back to Old Argument

Which inevitably leads back to the argument (it has a few adherents in the industry, a host of advocates in Washington) that the way to increase earnings is to cut rates; that lower rates will more than pay for themselves in increased consumption. Companies in the TVA area, on the low-rate Pacific Coast, and in some other similar localities right now are scoring gains that are interesting in this regard. But many of them, on much larger sales, have a gross that is lower than 10 years ago.

Much attention has been attracted to some of Commonwealth & Southern's subsidiaries for their aggressive appliance sales campaigns backed up by promotional rates (rates which started sharply downward as much as 10 years ago, long before TVA came along). And Commonwealth & Southern for April reports energy output of 609,458,904 kw.-hr. against 509,609,923 for the like 1935 month—a gain of 19.59%.

April gross was \$10,976,613 against \$10,061,062 a year earlier while net was \$856,485 against \$723,457. For the 12 months ended Apr. 30, gross was \$125,862,310 against \$117,073,176 in the preceding year and net mounted to \$10,128,677 against \$7,839,851; on present prospects the showing should be better for the present calendar year than for the year up to Apr. 30, although taxes remain an unknown quantity.

A consideration of other April reports at hand will not, however, show uniform improvement. Public Service of New Jersey, for example, showed lower net

despite a slight increase in gross and, for the last 12 months, the company is behind on both gross and net. Edison Electric Illuminating of Boston also shows lower net income for the 12 months to April 30 while Detroit Edison, aided by the automobile boom and notable efforts to spur domestic business, added nearly \$6,000,000 to gross in the 12 months and had net of \$10,699,169 against \$5,299,912 a year earlier. Ohio Edison and Public Service of Northern Illinois for both April and the 12 months show gains in gross and net, though the increases are not large.

## Low-down on Relief

**Trenton, N. J., takes a good look at its needy dependents and explodes some rumors.**

CANNONADING over the merits and follies of federal relief is so heavy that smoke gets into the eyes of the truth seeker. Harry Hopkins, Works Progress Administrator, maintains that the chiseling isn't serious. His opponents (political and otherwise) protest that abuses are numerous and dreadful, citing ghastly cases of boondoggling to support their contentions.

What is the low-down on relief? Are great numbers of idlers leading the life of Riley at the taxpayers' expense while jobs go begging?

In an attempt to answer these questions, *Business Week* sent a representative to take a good look at Trenton, N. J. Opportunity for a case study here was unique. On April 15 New Jersey tossed the direct relief problem into the laps of her municipalities. The action was caused by reluctance of the legisla-

ture to impose new taxes. Washington cut the state off from funds, and the state passed the buck.

Trenton's situation was of special interest. It is an important industrial center, with a population including adjacent areas of 162,000. A new city manager was attempting to run Trenton on cold, business lines with no regard for the political niceties. Thus the legislature's action arrested relief activities in full motion, while a realistic managerial set-up invited a skeptical examination.

### Has Full Authority

The city manager is Paul Morton, a gentleman who speaks and moves in straight lines. He has been on the job a year under a new government form which gives the manager full authority.

Mr. Morton's first act when state

relief collapsed was to examine carefully commitments for direct aid. (The city's WPA projects continued.) On Apr. 15 there were 3,682 cases on direct relief. Cost for the first half of the month was \$55,976. With one swoop Manager Morton cut the number of cases to about 1,600. Cost to the city for the last half of the month was \$11,636.

The reduction represented a limiting of generosity rather than a yardstick of chiseling. Consequently the cheers of taxpayers were drowned in the squawks of those separated from the handouts. Distribution by the city was confined to food and medication. Milk was supplied to very young babies in cases of obvious need.

This was in striking contrast to previous practice. In February, for instance, items supplied in addition to food and complete medical aid, included: cash, shelter, clothing, coal, other fuel, gas and electric, transportation and moving, burials.

The season favored the city's drastic retrenchment. With warm weather, fuel demands subsided and requests for clothing fell off. Shelter remained a necessity. The city welfare department did its best to induce landlords to hold off evictions, arguing that the state ultimately would provide money for back rent.

Meanwhile City-Manager Morton instituted a checkup on the honesty of relief recipients. He requisitioned from the welfare department the entire roster of direct relief. The list was broken down consecutively by streets and house numbers. Each police captain was given the names and addresses in his precinct, was ordered to have his patrolmen make an examination of every case.

### Police Picture the Virtues

Here was an original approach to an old problem. Workers of the welfare department already were familiar with the cases. But it is axiomatic that the cop knows his beat as he knows the palm of his hand and it will be interesting to readjust the relief picture from the angle of police information.

The police canvass still is in progress. Four cases were marked by the welfare department as deserving suspicion. So far two persons have been convicted of relief frauds in police court and held for grand jury action. This is being played up strongly in the press to impress the consequences on would-be chiselers.

One conviction concerned a man who had long been under suspicion. His home showed luxuries that could not have been bought from relief money. There was a new radio and a gorgeous, red, overstuffed sofa. When asked about these glories the owner explained that a relative had been generous. Investigators calling during the day, always



**EASIER TO SMILE**—Stock exchange members found more to smile about in the business outlook than formerly, as they met in Cleveland for the annual confab of Associated Stock Exchanges. A genial host was Gordon S. Macklin (center), president of Cleveland Stock Exchange; Charles R. Gay (left), New York Stock Exchange president, represented the biggest group of all, and W. W. Spaid (right) of Washington was reelected president of the association.



found him sitting there sadly, giving an impersonation of technological unemployment.

At night he was seldom at home. "He's visiting his sister," Mrs. Suspect would explain. The sister, being called upon, would exclaim, "Yes, he was here. But he just left."

Police snoopings proved what welfare officials had already guessed. The man was working all the time as a night watchman and accepting relief as supplementary income.

#### Discredit Chiseling Charges

Two cases proven out of hundreds examined are not impressive support for charges of wholesale chiseling. A guess is that, (a) comparatively few cases like that of the night watchman will be uncovered; (b) there are a good many cases where members of a family earn money without reporting it to relief agencies; (c) the flagrant cases may be publicized loudly enough to throw them out of proportion.

One benefit that has already come from the systematic check is the laying of rumors (rife in Trenton as other-

where) that workmen are refusing jobs because they have become dole addicts. It was commonly reported that one of the large Trenton manufacturers advertised in vain for 300 workers. But nothing of the sort ever happened.

Equally unfounded appears the charge that jobs are being offered at starvation wages. The state department of labor figures show that average weekly earnings of 15,130 employees of 55 Trenton plants were \$20.57 during March. According to the Trenton Chamber of Commerce, payrolls have come back faster than employment.

Trenton's case probably is representative of other centers. General improvement has eased relief demands. Before the city cut down the rolls, the number on relief last April was 1,589 under the lowest figure (5,271) of 1935. There is no mass re-employment, but there is a steady increase in jobs for skilled and semi-skilled workmen. Common labor is suffering most, forcing the women of such families into industrial jobs.

Through all strata there is a waning of the old feeling of hopelessness.

## Air Transport Clashes

**There's trouble in the air as lines reach for key city traffic in competition with the mail contract routes.**

AIR transport lines are again beginning to crowd each other on the map. To capture traffic from off-line key cities they are starting to invade routes allotted to other companies. Results are worrying the Interstate Commerce Commission and the Post Office.

Four major clashes which have developed recently show the trend.

**Clash 1.** Transcontinental & Western Air flies the middle coast-to-coast route, via Kansas City and Albuquerque to Los Angeles. Passengers go north to San Francisco by United Air Lines. But T.W.A. wants to fly direct from Albuquerque to San Francisco, via Winslow, and save 100 miles.

Last fall it applied to the ICC for permission. Postmaster-General Farley declared that he had allotted the routes and made the contracts and that the ICC had no jurisdiction. ICC said it had and set a hearing for Feb. 3, then postponed this until June 2. Meanwhile, T.W.A. has announced service over the new route.

United Air Lines, which flies the Chicago-Salt Lake City coast-to-coast route, has filed complaint, claiming that the rivalry will injure its business and divert mail. United connects from Salt Lake City to Los Angeles, over the Western Air Express route and Western Air Express has also complained. American Airlines, now serving the Southwest, is likewise an interested party.

**Clash 2.** Braniff Airways flies the route from Brownsville north to Fort Worth, Wichita, and Chicago, also west to Amarillo, where it connects with T.W.A. It has been rumored that T.W.A. wanted to buy Braniff, possibly to give direct service between the Pan American Airway terminals at Brownsville and San Francisco. This would link up the South American and Trans-Pacific traffic of the Pan American system. News now comes that the ICC will hold a hearing on June 10. Other lines are looking askance.

**Clash 3.** Central Airlines flies the mail from Washington to Pittsburgh, Cleveland, and Detroit. Pennsylvania Airlines & Transport Co., which had the mail contract before Farley tore them all up, continues to fly passengers over this route, as it has for eight years or more. Recently Central filed against Pennsylvania under the law, claiming unfair methods in arranging competing schedules. Hearings were ordered but finally the complaint was withdrawn.

It is believed that both T.W.A. and United would like entry into Washington. Pennsylvania already operates equipment similar to United and is mapped as a connecting service. Air men ask if a deal has been made.

**Clash 4.** American Airlines flies the southern coast-to-coast route. It also holds the mail contract from Chicago via Cincinnati to Washington. But

#### An Important Announcement to Advertising Agencies

Commencing June 1, 1936, the ST. LOUIS POST-DISPATCH will abolish all Rate Differentials between Retail and General Advertising which will enable Advertising Agencies to buy display advertising, whether General, Automotive or Financial, in the Post-Dispatch on the same net basis as Retail advertisers.

### ST. LOUIS POST-DISPATCH

First in Circulation First in St. Louis First in Advertising

**CLOSING THE GAP**—Advertising agencies and newspaper advertising representatives applauded last week when the St. Louis Post-Dispatch announced its new rate policy establishing a uniform differential (just sufficient to take care of the agents' 15% commission) between local and national rates in all classifications and quantities. Agents hope other leading papers will follow the Dispatch's lead, help narrow the present average 40% differential which encourages national advertisers to try to place their copy at local rates and threatens the existing agency commission system (BW—May 23, p24).

Eastern Air Lines, serving the Atlantic seaboard, has the mail contract between Washington and New York. So mail on American planes has been remade at Washington and Chicago passengers have had to transfer to an Eastern plane or wait for the next American trans-continental ship.

This hurt Cincinnati's feelings and the local Chamber of Commerce demanded through planes to New York. American Airlines was happy to oblige and has established the service. Now Eastern Air Lines protests and threatens to fly into Boston, which would be off-line service for it and in direct conflict with American.

It has been pointed out, with Boston on its map, Eastern would have full coverage of all points where transatlantic air service may ultimately come in. Eastern has not announced the Boston service, but a scout plane has been reported as studying the route.

Control lies with the ICC. Congress put it there with the idea of preventing the air lines' being merged into great systems likely to stifle the development of air transport. Spheres of influence were laid down for competitors. Holders of mail contracts were entitled to complain of encroachments that threatened their service or their earnings.

Now the ICC has its hands full. Incidentally, it is in bad with the Post Office Department because it has revised some mail rates upwards on the grounds that Farley's contracts were too low.

# "COMPTOMETER" METHODS SPEED KRAFT CHEESE

## *Figure work*

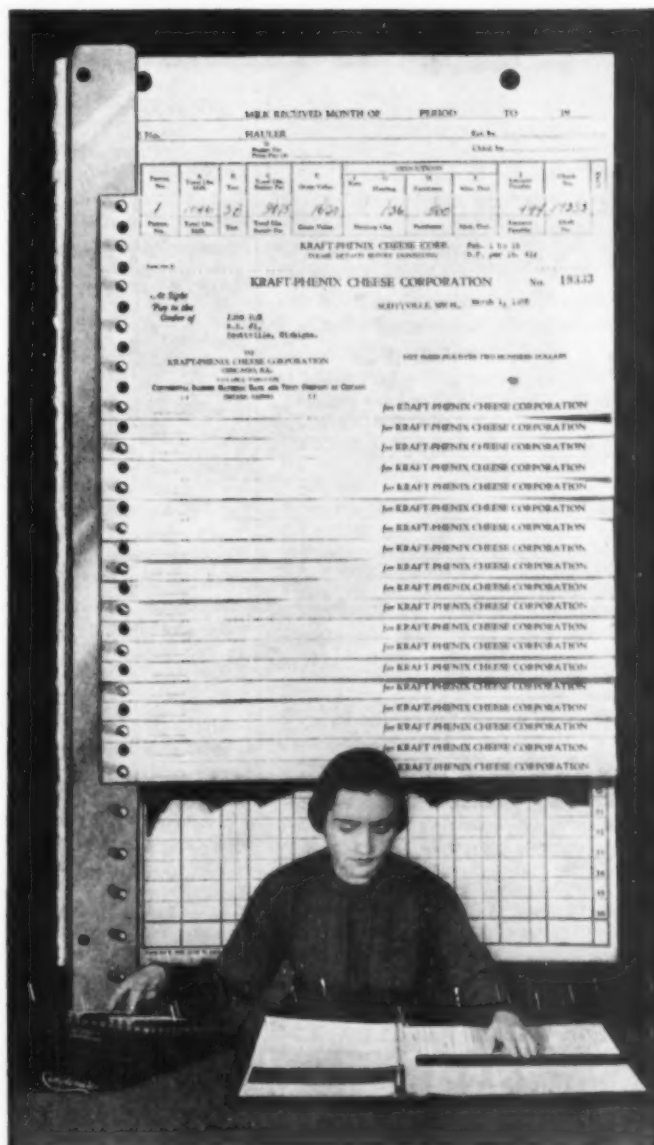
"SINCE adopting the 'Comptometer' Peg-Board method, we have eliminated unnecessary copying of figures, reduced errors, effected substantial savings, and are producing figures earlier than ever before," writes the General Office Manager of Kraft-Phenix Cheese Corporation.

"The 'Comptometer' Peg-Board combination is used on our sales analysis, farmers' milk payroll, expense distribution, truck delivery accounting, and for consolidating various reports. I might add that we maintain a centralized 'Comptometer' battery where most of our figure work is routed."

Because of their extreme flexibility, "Comptometer" methods can be applied profitably to nearly every type and size of business. For full information regarding "Comptometer" methods and equipment, phone the District Manager of the "Comptometer" office in your locality, or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina Street, Chicago, Ill.



At right is shown a unique application of the Peg-Board—check writing. More than 20,000 checks are written monthly at Kraft's Chicago office and mailed to farmers in payment for milk. The check, containing production figures which serve as farmer's receipt, and the payroll record are made simultaneously with one writing. All figuring, of course, is handled on the "Comptometer."



# COMPTOMETER

Reg. U. S. Pat. Off.

## CAMPAIGNING against FIRE



**And 184 years have proved  
the inherent soundness of this  
business principle**

The courthouse at Philadelphia, March 25th, 1752! Benjamin Franklin is outlining his plan for the first fire insurance company in America.

The company founded that day—a quarter of a century before the signing of the Declaration of Independence—was a mutual company.

Later—in 1795—John Marshall and Thomas Jefferson, recognizing the soundness of mutual principles, endorsed them in connection with the founding of the first insurance company in Virginia. They have endured without change for almost two centuries.

Over 80 per cent of all life insurance today is carried in mutual companies, and in the field of fire insurance, leading corporations and hundreds of thousands of individuals are enjoying mutual protection and service—and at a considerable saving in cost.

A worth-while booklet on mutual fire insurance will be sent on request. Address the Federation of Mutual Fire Insurance Companies, 919 N. Michigan Ave., Chicago, Illinois.

## MUTUAL FIRE INSURANCE

**An American Institution**



This seal identifies a member company of The Federation of Mutual Fire Insurance

Companies and the American Mutual Alliance. It is a symbol of soundness and stability

## The Truth on Jobs and Output

**Business Week analysis blows up some common beliefs about wage-cuts, long hours, and fewer workers.**

THE paradox of better business and large numbers of unemployed offers a challenge to business ingenuity. Business is better, but there are millions of unemployed.

On this problem, *Business Week* submits a few observations, together with a chart picturing the current position of the 106 industries for which some information on employment and payrolls is available. The observations are:

1. Part of the misunderstanding of the problem is due to manipulation of percentage changes in comparing the progress of employment, production, payrolls, and profits.

2. There is virtually no evidence that production has expanded out of all proportion to employment.

3. There is no general evidence of stretching of hours beyond limits demanded by improving business.

### Hourly Earnings Hold

4. There is no general evidence of wage-cutting. Hourly earnings in practically every industry either equal or exceed 1929.

5. Weekly wages are not up to the 1929 level even after allowing for changes in the cost of living, chiefly because hours worked are still far below the 1929 average.

It's well known that by carefully choosing one's base period, almost anything can be proved. Most comparisons of business recovery in the past three and one-half years have been based on the situation at the bottom of the depression, or for the comparable period of the preceding year. Residential building and profits are cases in point. Last month residential contracts stood 59% ahead of last year, but were only 26% as high as in April, 1929, or April, 1926. In 1932, industry as a whole was operating in the red. Any small increase in actual profits would yield a huge percentage gain, wholly misleading as an index of industry health.

### Employment, Output in Line

*Business Week* has examined a number of industries to determine if current employment is out of line with current production when both are measured against the same period of 1929. These are the results:

Industry	Employment	Output
	March, 1929=100	
Manufacturing	81	78
Building	29	35
Bituminous coal	75	77
Anthracite	54	56
Railroads	64	63
Retail trade	84	83*
Wholesale trade	88	79*

\*1935 sales compared with 1929, deflated.

Within the manufacturing industry, these variations are of interest:

Steel	75	66
Machine tools	63	57
Automobiles	88	73
Cigars, cigarettes	62	126
Tires	45	65

The general conclusion is that employment has kept pace with production with but few exceptions. It is true that employment in the manufacturing industries since the low of March, 1933, has expanded 43% against a 69% gain in output. But industry sought to hold its staffs together as the depression deepened by spreading the available business. Hence when production was stepped up, more hours were provided for employees. Payrolls jumped 104%.

Are hours worked excessive? The evidence points to an average increase of two hours in the manufacturing industries in the past year, from 36.6 hours in March, 1935, to 38.6 hours in March, 1936. In 1929 the average work week was about 48 hours. It is true that more industries have been climbing into the group working 40 hours or more, and fewer industries remain below the 35-hour line this year than last. But on the whole there is no evidence of excessively long hours.

### Few Wage Cuts

What about wage cuts? In 12 out of 15 major lines of business for which information is available, the average hourly earnings in March, 1936, were above those of a year ago when NRA ruled the levels, and in the remaining three the decline was not significant. All classes of labor—skilled, unskilled, and female—now receive higher hourly rates than prevailed in 1929.

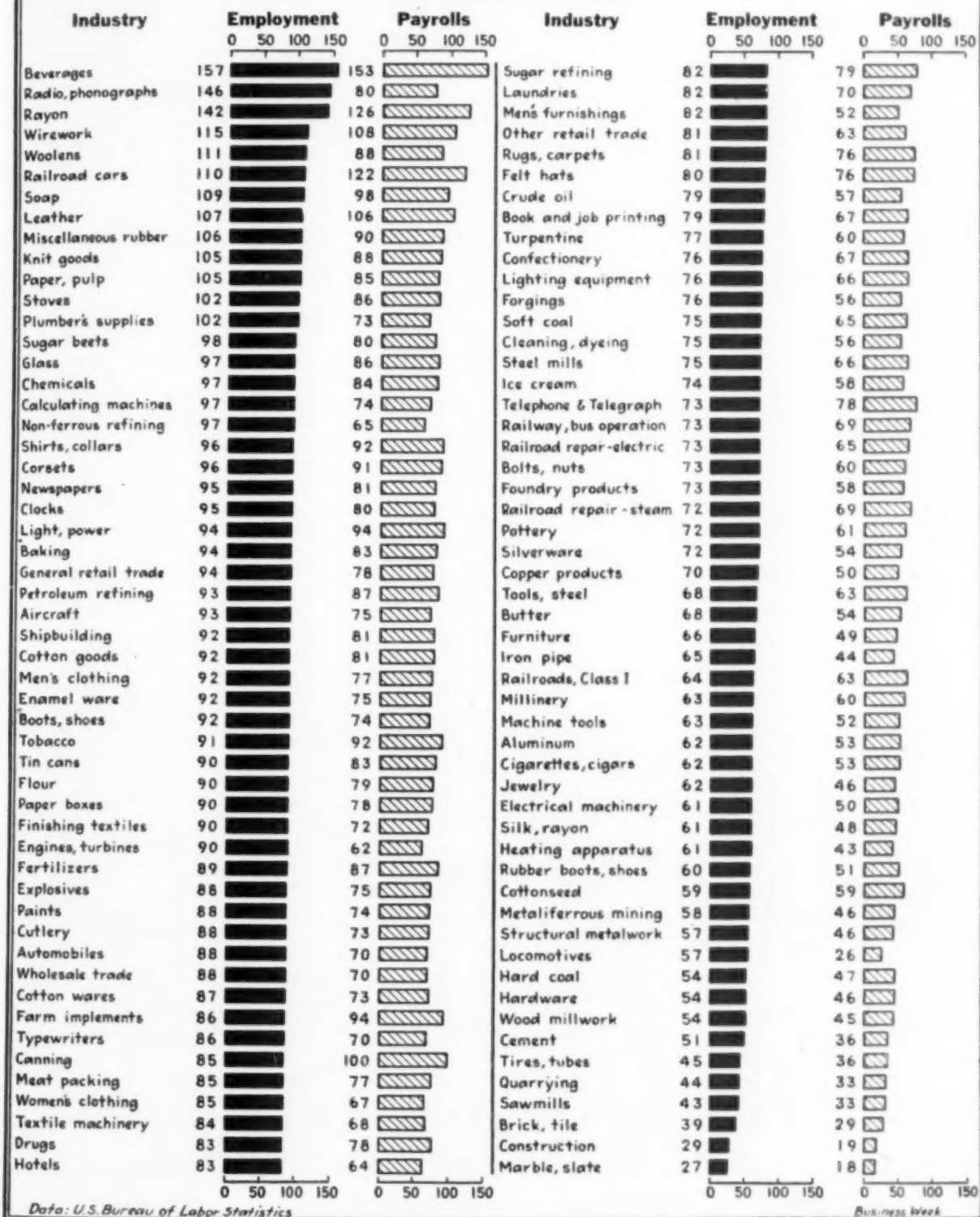
Weekly earnings, unfortunately, are not so high. The National Industrial Conference Board's records based on degree of skill and sex place skilled workers at \$26.35, a 20% decline from 1929; semi-skilled at \$19.14, or 23% below 1929; female at \$15.33, or 13% under 1929. When adjustment is made for changes in the cost of living, the disparity with 1929 is reduced—to 6% for skilled, 9% for semi-skilled. Female level shows an actual 18% gain.

Would the 30-hour week solve the problem? It could absorb a sizable slice of unemployed, but at a price of either smaller pay envelopes for those now employed (assuming no change in hourly rates), or of substantially higher costs for industry (assuming that hourly rates were to be boosted to compensate for shorter hours). The road of real progress points to some means of increasing output—far above the 1929 level.



# HOW 106 INDUSTRIES LINE UP

## Employment and Payrolls, March, 1936, Compared with March, 1929 (March, 1929=100)



Data: U.S. Bureau of Labor Statistics

Business Week

**NO GAPS, SMALL GAPS, BIG GAPS**—These 106 industries employed about 15,000,000 wage-earners in March, 1936 against an average of about 20,000,000 in 1929. Thirteen of the group were employing more persons today than they did in 1929. Repeal of prohibition explains the first industry. Radio and

rayon are in the class of newly developed industries. Revival of farm markets explains the fourth. The group "railroad cars" gives a misleading impression of well-being. In 1929 it was already well deflated. Twenty-five industries stand within 10% of their 1929 level, most of them in consumer lines.

# Quality Steel for Every Need . . .

## Extra Profits for Every User

### J & L Offers a Three-Way Profit to Steel Users

You profit in three different ways when you depend on J & L for all your steel requirements.

First, you save time and money because the wide variety of J & L steel products permits you to concentrate your purchases and thus avoid the expense and trouble of separate negotiations with a number of different sources.

Second, you get maximum production in your manufacturing operations, a better quality product, and lowest over-all cost, because the uniform high quality of J&L steel products makes possible

more efficient and more economical operations.

Third, you get the benefit of the knowledge and skill of the J & L technical staff whose assistance in selecting the right grade of steel for specific requirements often points the way to greater operating efficiencies and increased profits.

Hundreds of steel users in every major American industry are today taking advantage of this 3-way profit that comes from concentrating their steel purchases with Jones & Laughlin. It will pay you, too, to look to J & L for all your requirements.



**Dependable Performance Always,  
with J & L Pipe**

J & L steel pipe, both welded and seamless, is giving good service in thousands of installations in all types of buildings. Its high quality assures long life and trouble-free service.



**J & L Quality is Metallurgically  
Controlled**

Strict metallurgical control, of all J & L steel products, comprising a series of critical tests and inspections, assures perfect conformity to J & L's traditionally high standards of quality.



**Increased Production, Longer Tool  
Life with J & L Bessemer Screw Steel**

This steel offers marked improvement in machinability—substantial increases in production and longer tool life. Typical parts made of it are shown above.

### LOOK TO J&L FOR ALL YOUR STEEL REQUIREMENTS

Billets, Sheet Bars, Skelp . . . Hot Rolled Bars, Plates, Shapes, Strip and Sheets . . . Lightweight Channels . . . Railroad Spikes and Tie Plates . . . Bars for Concrete Reinforcement . . . Assembled Road Bar Mats . . . Forging Steel . . . Jalcase Steel . . . Cold Finished Steel . . . Steel Piling . . . Junior Beams . . . Fabricated Structural Work . . . Seamless and Welded Tubular Products . . . Wire Rods and Wire Products . . . Tin Plate Black Sheets and Manufacturing Ternes . . . Coke By-Products . . . Pig Iron

# J&L STEEL



## J & L Spring Wire for Speedy Production of Quality Springs

J & L Spring Wire has the correct balance of physical properties to permit speedy production of quality springs. This results from special steel, exact heat-treating, and accurate drawing.



## J & L Warehouses Save Time, Money

Large snear is typical of the modern equipment. Large snear is typical of the modern equipment. Large snear is typical of the modern equipment. Large snear is typical of the modern equipment. Large snear is typical of the modern equipment.



## Forging Steel for Automotive Parts that Dare Not Fail

The increasing use of J & L Forging Steel for automotive parts, is due to its uniform, high quality. You can depend on it for quality, uniformity, longer life of dies and extra profits.

# JONES & LAUGHLIN STEEL CORPORATION

AMERICAN IRON AND STEEL WORKS

PITTSBURGH, PENNSYLVANIA



## The *PRESIDENT* was losing sleep

—because he was  
losing business

THE loss of good customers is often due to faulty shipping containers. Is inadequate protection allowing your product to deteriorate in transit or storage?

Damage occurring between your plant and your customers is stopped when you ship in Bemis Waterproof Bags. They provide that all-important margin of safety—complete protection against sifting, odor, dust, and loss or gain of moisture.

Your product comes through in factory-perfect condition, building customer confidence and profitable repeat business.

There is a type of Bemis Waterproof Bag for every industry. They provide any degree of protection required. And users profit by important savings in original cost, freight, handling, storage, and labeling.

It will cost you nothing to investigate Bemis Waterproof Bags, and it may solve your shipping problem. Write for further information on the application of these up-to-date containers to your particular industry.

### BEMIS BRO. BAG CO.

403 Poplar St.  
St. Louis, Mo.

5120 Second Ave.  
Brooklyn, N. Y.



## New Products

New things, new designs, new packages, new manufacturing and marketing methods.

In asking further information on new products or submitting data on newer ones, address *Business Week's* Chicago offices—520 N. Michigan Ave.

THE new Add-A-Tool workshop for the home mechanic or experimenter is completely self contained, has a  $\frac{1}{2}$  h.p. motor, 12 speed motor bracket, belts and pulleys, has bench saw group, lathe group, 18" tool rest, and permits the addition of mortising, tailstock, shaping, jointer-planer, band saw, and metal-working units, when wanted.

FOR use at open windows or for exhaust purposes, Russell Electric Co. advertises a portable circulator, which is operated by a  $\frac{1}{2}$  h.p. motor, is mounted on an easy-sliding base, handles 3,500 c.f.m. of air and is claimed to be practically noiseless in operation.

THE GO Electric Co. offers a new portable electric range that does all a full-fledged stationary model can do. It will boil, fry, bake, roast and broil, has an oven large enough for a standard size self-basting roasting pan, is equipped with three 3-heat reciprocating switches, oven thermostat, has insulated housing, and sells at a low price.

PROTECTO-LITE board is offered by Interstate Folding Box Co. for use in cartons and other paper containers where protection of the contents against light and particularly against ultra-violet rays is desired. A film of carbon black is inserted between the layers of box board and supplies the protection.

AMERICAN ANODE, INC. (B. F. Goodrich subsidiary) announces "Protex" rubber covering, especially useful in protecting high-polished surfaces of automo-



bile parts during shipment. The material is laid flat against the surface to be guarded, is later stripped off as desired.

LANDIS MACHINE CO. announces a collapsible hand sizing tap. It is intended to be used instead of the ordinary solid adjustable tap but permits instant withdrawal when a small trigger release, located on its side, unlatches it and col-

lapses the chasers through back-pressure on the handle. It has a square shank to fit any tap wrench and can be supplied in any length of shank or tap.

FISH-N-FLOAT is offered to fishermen who want to explore deep water pools or streams for big fish—without using a boat or a canoe. It consists of a zipper operated heavy canvas cover for an in-



flated regular 6.00 x 16 auto tire tube, with the center of the cover forming a "seat" while the fisherman's legs protrude downward and are used for "paddling," the tube keeping him upright in the water, both arms free for "fishing."

THE B. F. Goodrich Co. announces Griptop, a new type of belting for package conveyors. Its surface has small rubber fingers, 3,000 to the square foot, which hold packages in position, and their gripping power increases with the weight of the package.

CONTINENTAL MACHINE SPECIALTIES, INC. announces a bench model continuous-band filing, sawing, and emery machine. It will handle material up to 6" thick, operates at 140 feet per minute, uses saw blades  $\frac{3}{32}$ " wide, and comes completely equipped with built-in motor, integral geared-head reduction unit and jig with necessary equipment for brazing band saw for internal sawing.

BLACK & DECKER advertise a new valve seat grinder and valve conditioning kit, particularly adapted for use on all types of aircraft engines. It has a Vibro-Centric driving unit which has a spindle speed of 12,000 r.p.m. with a positive vibration action which lifts the grinding stone from the valve seat at each revolution, and an angle drive attachment to fit the nose of the driver and to give access to hard-to-reach valve seats.

## Fare Prospects

Eastern railroads advertise 2c. rate but argue it's all wrong.

WITH a resigned hip-hip-hooray, Eastern railroads this week advertised in 113 newspapers in 46 cities "sweeping reductions" in passenger rail fares from 3.6¢ to 2¢ a mile.

And while that ebullient display was going on, legal talent of 23 roads mustered arguments to convince a United States statutory court that the Interstate Commerce Commission cut-fare order was "arbitrary and capricious."

The Eastern carriers are wholly out of sympathy with the idea of having the ICC tell them how to run their business. But, as long as the order takes effect, and as long as the Baltimore & Ohio is adopting the new rates, the other railroads must plug for all they are worth for a share of any new business the low tariff stirs up. Hence the advertising of the Trunk Line Central Passenger Association, which takes in a wide swath of territory as far west as St. Louis. Hence also the advertising lineage of the Pullman Company, pointing out reductions ranging from 19 3/4% to 49 1/4% on berths and compartments.

### How Much from Passengers?

An explanation of the Eastern opposition to the 2¢ fare can be found in percentages. For the country, passenger revenues average only 10% of all revenues. For some leading Eastern carriers, the percentage is higher:

Railroad	Past. Revenue 1935	% to Total Revenue
B. & O.	\$9,888,000	7.0
Boston & Maine	6,671,000	15.3
C. & O.	2,851,000	2.5
D., L. & W.	6,485,000	14.5
Erie	4,910,000	6.5
N. Y. Central	55,292,000	17.8
N. Y., N. H. & H.	22,109,000	31.1
Pennsylvania	59,797,000	16.3
Reading	3,077,000	6.0

Eastern carriers point with pride to their passenger traffic as the "commercial type"—merchants and professional men going from one city to another on business. Lower rates, they argue, will not increase this traffic, nor is it likely to increase other travel sufficiently to offset the decline in revenues here.

Opposed to this is the actual record of Southern and Western roads. Whereas passenger business in Eastern territory rose only 5.3% from 1933 to 1935, in the South the gain was 19.5% and in the West 11.4%—attributed to fare cuts.

Meanwhile Eastern carriers know that some of that "business travel" is being done by automobile. With lower rates, the possibility of diverting traffic from the private car is not to be sneezed off. And the Eastern roads—despite their legal dander—are not sneezing but advertising.

## THE CLOTH WOULDN'T FADE—BUT THE CUSTOMERS DID!

### Our Protection Actually Saved This Company

He's a well-known Southern textile manufacturer. Not long ago he introduced, at great expense, a new patented color-fast waterproof cloth. It was an instant success. Then the grief began. A competitor sued, charging patent infringement. The new cloth didn't fade—but the customers did! They feared possible liability accruing to them.

When the outlook was blackest the manufacturer came to us, and told his story. Then patent counsel, mutually agreeable to him and to us, were retained. They investigated, and found his product and process safe, sound and legally right.

Accordingly, we entered into a contract guaranteeing the manufacturer a certain stated amount of protection if he lost as a result of the pending patent litigation. Fortunately

he didn't lose. The courts upheld him. His competitor's claims wouldn't hold water,—and there was a strong suspicion that the suit might have been started merely to hinder sales and scare customers.

National Patent Corporation, in cases like this, can even issue contracts guaranteeing protection against losses from patent litigation after the litigation has started. Many patent suits are started for no other reason than to frighten customers and hinder sales. These are the deliberate trouble-makers, and every owner of a product or process must always be on his guard against them. Products and processes bearing the National Patent protection seal are immune because the trouble-makers know they're legally right!

We cordially invite manufacturers, business men, attorneys and others to write for a copy of "The Speculative Venture That Couldn't Fail," describing our contracts and services.

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FOUNDED 1926



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## Increasing employee efficiency —through a better understanding of human nature

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by J. L. Rosenstein  
Consulting Psychologist,  
Eli Lilly and Company

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- how do people go at their difficulties?
- what is this thing called personality?
- what does the job mean to the worker?
- what about cooperation and discipline?
- what is there in psychology?
- what are some things which executives have overlooked?
- what are some practical considerations and how can they be put into action?

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# Banks Married to Treasury

**Half of government debt is owed to banking system, and now the partners in this marriage of convenience are putting through a new bond flotation.**

WITHOUT benefit of clergy and without the blandishments of love, the American banking system is married to the Treasury Department. The marriage is strictly an affair of convenience.

This is the situation. The federal government has a debt of \$31,425,400,000. The banks of the country, commercial and savings, own about half of it. With 50% of the debt in banks, one would expect the financial institutions to tell the Treasury where and how it gets off. After all, the creditor always makes the debtor squirm. But not so in this case.

True, the banks can refuse to buy government bonds. But then, what would happen to the banks? Already, they're holding 50% of the debt. If government credit cracked, the banks would go broke. No point in that.

## Banks Stymied

Yet the Treasury, with all its powers, cannot afford to use them cavalierly. Even though the banks cannot afford to refuse to buy government bonds when offered, still the Treasury cannot afford to have the banks refuse. It would be a case of which would be most embarrassed—the Treasury or the banking system. Hence, the banks must be good to the Treasury and the Treasury must be good to the banks.

At the moment, with the Treasury making a new bond flotation in "orthodox fashion," no signs of a rift appear in this curious marriage bargain. Indeed, it looks as if it would go on for some time. For two reasons:

First, the banks are hard put to use their idle capital. In the two and three-quarter years from June 30, 1933, to Mar. 4, 1936, the entire expansion in bank loans and investments consisted of government securities. Either business did not want to borrow, or the firms that were in need of funds were considered unworthy risks. So, the banks took government offerings, complacently financing the federal deficit because only in that way could dividends be earned.

## A Regular Borrower

Second, the Treasury is in a pickle. It's running along with a deficit, which doesn't make it the Grade A debtor of the world. Further the United States debt is badly distributed. Only 51% is long term. The remainder, \$15,000,000,000, matures within five years, and every three to six months (even less in the case of Treasury bills), Sec. Morgenthau must go to the banks for new financing.

Thus, we have this: Half the Treasury debt is in the hands of the banks and nearly half the Treasury debt must be constantly refinanced.

Now, for sound distribution of the federal debt, a large portion of it ought to lodge with investors—large and small. Indeed, the Treasury recognizes this. The attempt to sell "baby bonds" was simply intended to redistribute the federal indebtedness.

## 2¾% Too Skimpy

But the investor is not in the market for low-interest bonds. The tendency is to buy stocks because of fear of inflation and because 2¾% coupons do not seem to warrant the risk of tying up funds—even though a Treasury obligation is excellent collateral for a bank loan. By and large, the bond market is strictly institutional.

Even worse is the temporal distribution of the debt. The Treasury cannot depend perennially on the banking system to absorb recurrent bond emissions. It must substitute long-term debt for short-term debt.

There seems to be no hurry about this. Interest rates are low and the banks are nibbling at the longer-term bonds because of the larger return. In March, when the Treasury offered 12 to 15-year 2½s simultaneously with 5-year 1½s, an overwhelming preference was shown for the higher coupon issue. That performance was in contrast to the offering in December, when the demand for the short-terms was emphatic indication that banks and other institutional investors were not yet sold on the idea that money rates would remain low.

## Two-Two Tie

So intense is the concern over money rates that the New York Chapter of the American Statistical Association held a meeting on the subject. The score of the speakers was a tie. Two said money rates would remain low indefinitely; two said money rates would turn upward within a comparatively short time. The only side not represented was the group that believed that money rates are due to decline even more.

The turn-upward group reasons that as soon as corporations begin to seek new capital for expansion, the demand side of the money equation will change rapidly and rates will reverse.

The go-further-downward group argues that funds are too plentiful; that banks, insurance companies, corporations, and investors are itching to use them, and that the only use for them is

## When U. S. Debt Matures

As of April 30, 1936, the federal indebtedness was divided between short-term and long-term obligations about 50-50:

		% of total
Long-term .....	\$16,005,446,332	50.9
Maturing in 5 yrs. or less .....	12,383,152,450	39.4
Maturing in less than a year .....	2,212,012,000	7.0
Already matured (on which interest has ceased) .....	174,569,855	0.6
Miscellaneous .....	650,259,758	2.1
Total .....	\$31,425,440,395	100.0

In addition, there are outstanding \$4,654,000,000 in long-term obligations issued by government agencies and fully guaranteed as to interest and principal.

to buy government and high grade corporate bonds, or short-term obligations.

The stay-about-the-same clique makes the sharp point that the Treasury dominates the money market through its multiplicity of powers under the 1935 banking act; that it is the Treasury's desire to keep money rates low because of the long-term refunding it has to do; that money rates, in consequence, will remain low.

## U. S. Favors Status Quo

There is no question that the Treasury will throw all its weight against any change. The government can use the \$2,000,000,000 gold stabilization fund to this end; it can call upon the Federal Reserve Banks to support the market for government bonds by buying them (the Federal Reserve already holds \$2,-430,000,000); it can call on other agencies, such as the Postal Savings and various trust funds, to buy United States obligations (as of Dec. 31, government agencies held \$1,827,749,000); it can even print greenbacks, under the Thomas inflation amendment, and with them buy \$3,000,000,000 of U. S. bonds.

So, with all that buying power plus the urge to keep interest rates down until all short-term debt is funded into long-term, the Treasury will strive to maintain the money market status quo. And the banks, in the yoke of enforced matrimony, are likely to accept the will of their spouse. True, banks would like interest rates to go up. That would increase their earnings. Yet, at the same time, if interest rates rose, bank holdings of government and other bonds would decline. Since government obligations represent about 40% of bank investments and loans, that would hardly be pleasant.

Therefore the banks and the Treasury have a mutual interest in low money rates; therefore low money rates should continue—at least until the Treasury completes its refunding program.



# The Gentleman Obviously doesn't believe that **SUMMER IS A SELLING SEASON**



**A**CTUALLY—town or country—life goes on at even pleasanter pace . . . and radio entertainment goes right along with it, wherever people are.\*

Radio's biggest summer audience is in prospect for 1936. Programs of tremendous public interest will be featured on the NBC Red and Blue Networks. The biggest Summer Show includes the Olym-

pic Games, the Texas Celebrations, Baseball—and the National Political Conventions. Enthusiastic audiences will listen with 22 million home radios—supplemented by nearly 3 million automobile sets.

A vast, alert public keeps right on living and spending in the summer season—and more money will be in circulation this summer than in any of the past five.

## **RECORDED FOR THE FIRST TIME**

The potential summer audience for every hour of the day—completely analyzed in **THE GOOD NEW SUMMERTIME**—a new NBC report prepared by Anderson, Nichols Associates. Also brand-new information on:

- 1** Comparison of Saturday and Sunday audiences.
- 2** Ownership and use of automobile radios.
- 3** Who can listen and when? Audience analysis for every hour.

• • •

This first record of the listening habits of summer audiences sent on request to those interested in radio circulation facts.

\*Only 3 out of every 100 adult listeners are away from radio in any one week during the summer.

Tune in the RCA Magic Key Program every Sunday 2 to 3 p. m. E. D. T., on the NBC Blue Network

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NBC IS THE MAGIC KEY  TO INCREASED PROFITS

# Industrial Design Comes of Age

**II. Scope of each design job depends on individual circumstances. There's no cut-and-dried answer to questions of kind of job and amount of the fee.**

LAST week, New York City's World's Fair Corp. named seven men to direct the stylistic destinies of Gotham's big extravaganza in 1939. Included in that list was one industrial designer, Walter Dorwin Teague.

Mr. Teague's appointment is definitely in order, for in the past three years he has distinguished himself in a fair way.

When Chicago's Century of Progress Exposition opened in 1933, Henry Ford was not among those present. But one year later his spectacular building and exhibit stole the show—from Sally Rand, the Hall of Science, and his automotive competitors. Last year in San Diego, he duplicated the feat, and prospects look fair for a repeat at the Texas show this year. Walter Dorwin Teague was responsible for all three Ford ex-

hibits. In addition, when the Centennial Exposition opens its gates in Dallas next week, he will be represented by exhibits for three other companies—the Texas Co., du Pont, and National Cash Register.

It should be noted that Mr. Teague in his regular practice is now in his tenth year of continuous service with the Eastman Kodak Co., and the fourth year with the A. B. Dick Co. In addition, he is engaged by four or five other clients on a year-round basis and is executing specific commissions for still half a dozen others.

## For Value Received

Which should make clear two salient facts about industrial design. One is its wide range of service—from styling an industrial machine to staging spectacles—and secondly, the fact that design service pays. You may be sure that the Eastman Kodak Co. hasn't been dealing out cash for a decade simply for the sake of a pleasant association with Mr. Teague.

How much money has passed between the Eastman Co. and Mr. Teague is strictly their own business. And even if the fees were advertised they could be accepted as no criterion of what the Bonanza Broom Co. would have to pay him or any other designer to breathe the breath of style into its line of feather dusters.

In other words, as far as design service is concerned, there is no cut-and-

dried answer to the question, "How much does it cost?" Designers, like lawyers and surgeons, are professional men, and prices and reputations run the whole gamut from ambulance chasing to Supreme Court practice, from a \$100 appendectomy to delicate cranial carving at a fee fifty times as much.

Fundamentally, three factors enter into the cost of industrial design: What has to be done, who's going to do it, and on what basis.

As far as the size of the job is concerned, the man who pays the bill is frequently in the worst position to decide. That is one reason why many a manufacturer hires the designer first to make a preliminary investigation and to delineate what needs to be done.

This is the way in which one of the largest radio manufacturing companies handled the job in readying its new models for the market last year. The designer was paid a flat fee of \$1,000 for a problem analysis. He began in the factory, studying production methods. And here it should be noted that the experienced designer moves tactfully, and therefore company engineers have come to realize that the designer is not attempting to supersede them or take credit away from them for a successful design. He is simply bringing in a fresh point of view with respect to materials and methods functioning like a consulting chemist or metallurgist.

## Research Yields Results

In this particular radio job, the designer soon moved out of the factory into the sales field where an extensive market analysis—of retailers' business, wholesale conditions, and customer opinions—yielded ideas not only of what the model should look like but how it should be priced and how it should be sold—complete to advertising theme.

When that survey was completed by a man sensitive to the nuances of public taste and to the trend of the times, the company had a pretty good idea of where it stood. It had its thousand dollars' worth right there. And it hired the designer for two days a week at \$1,000 a month for a full year. When the

**1935**  
**1933**

**RCA Victor is**  
**400%**  
**over 1933**

**RCA VICTOR**

A DIVISION OF THE RADIO CORPORATION OF AMERICA

**IN DEALERS' STORES AND THE FRONT OFFICE**—design makes a difference. To retailers handling the RCA-Victor line, John Vassos' work on the 1935 models meant an appreciable sales increase, worth celebrating in full page trade paper space. (Incidentally, that job furnishes a good example of what a designer can do in following through to the point of sale, educating dealers on the merits of new models.) As design moves into the office appliance field, it brings sleek modern lines to executive offices, profits to the equipment manufacturers. Four good examples are (left to right) the Todd check-writing Protectograph (by Henry Dreyfuss) which increased sales 66%, Berger Steel's new filing cabinet (by Wilbur Henry Adams), Cordley and Hayes' electric water cooler (by Gilbert Rohde), and American Sales Book Co.'s autographic register (by Walter Dorwin Teague).

models were announced the participation of the designer in dealer meetings, explaining the new design, proved an invaluable sales asset.

That company knew what job was needed and what the probable return would be if it were properly executed. Hence, it could figure its costs with considerable accuracy. Which it did with a good margin of profit, for sales tripled.

#### About Those Big Fees—

What design costs depends importantly on who does the job. The prevailing opinion that good designers are aesthetes with high-priced ideas stems from the popular misconception of what design service is and what miracles it can perform. The story is told of one manufacturer who walked in to a prominent designer's office, so intent on not being browbeaten into paying a big fee that he came armed with a check for a thousand dollars and announced his intention to wait while the designer dashed off a few inspirations.

Again, designers' reported fees are often exaggerated. Not so long ago, the story was going the rounds that Henry Dreyfuss got \$10,000 for redesigning a General Electric trademark. As a matter of fact, his fee was somewhat larger than that, but the job included redesigning two or three refrigerators and other styling service of which the trademark was only a part.

Although most of the more eminent designers have developed a technique which functions with efficiency on everything from lipsticks to locomotives, a few have preferred to specialize or have performed such outstanding work on a particular product that their reputation rests primarily on that accomplishment, regardless of less spectacular success in other fields. Gustav Jensen's achievements with monel metal for International Nickel, Joseph Sinel's trademark and package designs, George Sakier's Fostoria glassware and his work for American Radiator, Russel Wright's development of spun aluminum and "American Modern" maple furniture for Conant Ball Co. are all cases in point.

#### Good Design, Good Value

The example of America's leading manufacturers is evidence that it pays to use good designers—men who really know their business. The accompanying list (page 30) is not intended as a blue book of American designers. Many names, both of designers and their clients, have had to be omitted. Nor has it been possible to describe the work that has been done. Some of the jobs represent work on a year-round retainer basis; others represent participation in only a single styling project. Not all have proved sensational successes, but the average is high.

The final question—on what basis is

## A PRACTICAL PROFIT BUILDER

Executive with broad successful background of large-scale reorganization work—

Especially qualified to direct affairs of large corporation during recovery period and after—

Now engaged, but seeks broader opportunity for which record qualifies him.

**Sales:** Aggressive but *profit-minded* sales builder, through development of spirited organization and modernizing product line—based on sound market research.

**Manufacturing:** Following engineering training, wide management experience in intensive, low-cost production—under diverse and often difficult labor conditions.

**Administration:** Capable handler of men of all ranks. Thoroughly versed in modern financial control methods—budgets and standard costs.

Interested in assuming charge of substantial operation at reasonable base salary and participation in increased profits.

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"This book seems to me the most reasonable and clear statement of the viewpoint of an intelligent industrialist which has come to my desk. The Republican party might well accept it totally. They can go farther and fare worse."

—Dorothy Thompson,  
N. Y. Herald-Tribune

Miss Thompson terms the book, "a positive, modern restatement, in strictly American terms, of the doctrine of economic liberalism."

## PLATFORM FOR AMERICA

by RALPH E. FLANDERS

President, Jones & Lamson Machine Co.

118 pages, \$1.00

AN analysis of problems facing business today—particularly in its relations to government on the one hand, and the great consuming public on the other. Develops the real community of interest of various groups often regarded as independent or opposed to each other. Shows that no policy or legislation which benefits one group at the expense of others will, in the

end, benefit the country as a whole. *Should we produce less or more?*

*Will prosperity and plenty be brought about by governmental encouragement of large profits or limitation of them?*

The author says, "As citizens of one country we have a common aim. It is one purpose of this book to put that objective into simple words."

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the job to be done?—can be settled only after the first two major ones are answered. Many manufacturers hire a designer on a full-time basis. This is particularly true in the automobile industry, though in electrical appliances there has also been a trend in this direction. The tie-ups between Westinghouse and Donald Dohner and between General Electric and Ray Patten are significant. Even companies which have their own designers, however, frequently call in outside talent on occasion.

Other designers work with a specific client on a year-round retainer basis, sometimes handling only a single product, sometimes a full line. Most frequently a flat fee is agreed on, though on occasion royalties figure in the contracts. A fair proportion of the design

work, however, is handled on the single job basis, and still other manufacturers simply avail themselves of a designer's consulting service on a flat hour charge basis. In any case, costs of surveys, materials, working models, etc., must be determined separately in the contract. Admittedly, the system of charging is a most unscientific one which has worked hardship on both parties, and a number of designers are trying to introduce some element of objective measurement by basing their fees on a percentage (5% to 10%) of tool and die costs, but there are only a few types of jobs on which this system can operate equitably.

Born in boom days, but really bred in the depression, industrial design as a business faces the future with confidence of continual expansion. The more it grows, the more it can grow. Function-

ing primarily in two or three fields alone during its first decade, design has already created an amazing style consciousness in the public mind and a demand for improved products. Manufacturers in other fields are aware of this. Gingly they have taken steps to individualize their wares, heighten their values-in-use. And these pioneering efforts are forcing competitors to take similar steps. Then too, the profit value of controlled obsolescence—of bringing out new annual models to whet buying interest—has been demonstrated in the automobile field and is stimulating interest in a dozen different fields. But the soundest foundation on which design builds for the future is its unquestioned ability to determine what the public wants, to build products to meet those demands, to cut costs in the process.

## Who's Doing and Who's Using Industrial Design

Not intended as a blue book of the profession, this partial listing of some leading designers and some of the outstanding clients for whom they have done work during the past few years is offered here simply as evidence of the extent to which design has found a place in American industry today. It has not been possible to tell what each designer has done for each client; in some instances the work represents year-round styling service on a full line; in other instances it represents only a single job done on a single product.

### WILBUR HENRY ADAMS

Electromaster, Inc.  
Erie Meter Systems, Inc.  
Perfection Stove Co.  
Republic Steel Corp.  
Sherwin-Williams Co.

### HENRY DREYFUSS

Associated Merchandising Corp.  
Bell Telephone Laboratories  
Cities Service Co.  
General Electric Co.  
Hoover Co.  
McCall Corp.  
Minneapolis-Honeywell Regulator Co.  
New York Central Railroad Co.  
Royal Typewriter Co., Inc.  
Sears, Roebuck & Co.  
Socony-Vacuum Oil Co., Inc.  
Todd Company  
Towle Manufacturing Co.  
Western Union Telegraph Co.

### LURELLE GUILD

Aluminum Co. of America  
Aluminum Cooking Utensil Co.  
Atwater Kent Manufacturing Co.  
Carrier Corp.  
Chase Brass & Copper Co., Inc.  
Electrolux Corp.  
General Electric Co.  
International Silver Co.  
Mohawk Carpet Mills, Inc.  
Montgomery Ward & Co., Inc.  
National Enameling & Stamping Co.  
Norge Division, Borg-Warner Corp.

### ROBERT HELLER

Baldwin Piano Co.  
A. C. Gilbert Co.  
Spear & Co.

### RAYMOND LOEWY

Greyhound Management Co.

### International Harvester Co.

Lord & Taylor  
Pennsylvania Railroad  
Rustless Iron Corp. of America  
Sears, Roebuck & Co.  
Standard Oil Co. of New Jersey  
Sun Shipbuilding & Dry Dock Co.  
Westinghouse Electric & Mfg. Co.

### RAY PATTEN

American Radiator & Standard Sanitary Corp.  
Bissell Carpet Sweeper Co.  
General Electric Co.  
International Nickel Co.

### GILBERT ROHDE

Heywood-Wakefield Co.  
Herman Miller Furniture Co.  
Kroehler Manufacturing Co.  
Troy Sunshade Co.

### ALEXIS de SAKHNOFFSKY

T. Eaton, Ltd.  
Mullins Boat Corp.  
Vollrath Co.  
White Motor Co.

### GEORGE SAKIER

American Radiator & Standard Sanitary Corp.  
Fostoria Glass Co.  
Schenley Distillers Corp.

### JOSEPH SINEL

(Ruth Gerth, Associate)  
Associated Telephone Co., Ltd.  
Bristol Co.  
Celanese Corp. of America  
R. E. Dietz Co.  
McGraw Electric Co.  
Merck & Co., Inc.  
Remington, Rand, Inc.  
Texas Corp.

### GEORGE SWITZER

Continental Baking Corp.  
Geo. A. Hormel & Co.  
National Hotel Management Co., Inc.

### WALTER TEAGUE

American Gas Machine Co.  
Bryant Heater Co.  
A. B. Dick Co.  
E. I. duPont de Nemours & Co.  
Eastman Kodak Co.  
Ford Motor Co.  
National Cash Register Co.  
Pittsburgh Plate Glass Co.  
Texas Corp.  
Westinghouse Electric & Mfg. Co.  
Warren Telechron Co.

### HAROLD VAN DOREN

Egry Register Co.  
Electric Auto-Lite Co.  
Ex-Cell-O Aircraft & Tool Corp.  
Goodyear Tire & Rubber Co.  
Maytag Co.  
Plaskon Co., Inc.  
Surface Combustion Corp.  
Toledo Scale Co.

### JOHN VASSOS

American Telephone & Telegraph Co.  
Montgomery Ward & Co., Inc.  
RCA Manufacturing Co., Inc.  
Savage Arms Corp.  
Wallace Silver Co.

### RUSSEL WRIGHT

Aluminum Cooking Utensil Co.  
Artloom Corp.  
Chase Brass & Copper Co., Inc.  
Conant, Ball Co.  
Ellison & Spring  
Heywood-Wakefield Co.  
Trimount Coin Machine Co.  
Rudolph Wurlitzer Co.



Advertisement

MAY 30, 1936

*"Commencement's soon here, Dad. When do I start taking Horace Greeley's advice?"*

*"You start in our West Coast offices next month, son. Business is good out there now, and from what Business Week reports, industry is taking a tip from Greeley, too."*

# It's a Travel Year

**The *Queen Mary* opens a big season in which all kinds of tourist services will share. Bargain rates seek to lure American dollars overseas.**

SHRIEKING harbor craft will welcome the new 80,000-ton *Queen Mary* to New York on June 1, but the most interested members of the reception committees will be the travel agents whose advance bookings for summer travel are the best since 1929. Travel has become a year-round business, but to "the Queen" the travel world concedes the honor of opening "the season."

World travel is an enormous business which prospers or slumps with business in the United States. Americans account for 70% of all North Atlantic passenger traffic, pay 85% of all fares, and occupy 95% of all first class cabins. They spent \$393,000,000 in foreign countries or on foreign ships last year, and nearly \$821,000,000 in booming 1929. They spent \$8,000,000 on cruises in 1934, and left more than \$120,000,000 in Canada where they romped in the Rockies, skied in Montreal, or motored in the Gaspé. They learned the charm of ocean travel when their purses were thin and the steamship lines tempted them away from home with everything from weekend "cruises to nowhere" to tropical tours at \$10 a day.

## New Appeals to Travelers

First signs that the slump was passing came in 1934 when American travel expenditures began to climb out of the depression low. The world was ready with new advertising appeals, new travel temptations.

Practical travel inducements range from railway fare reductions to new *de luxe* accommodations in the *Normandie* and *Queen Mary*, or super speed and comfort on the airship *Hindenburg*.

Germany is offering the ultimate in rail fare cuts—ranging up to 60%, depending on the length of stay in the country. Czechoslovakia starts its rail cuts at 50%. Italy has cut rail rates in half under certain conditions; honeymooners get a special 70% reduction. France offers parties of 10 or more travelers a reduction of 50% over the country's railroads, or a 40% cut for individuals who will include a stopover in Paris. Austria, Poland, and Switzerland have almost as great reductions, and the Swiss have a special \$25 ticket good for unlimited travel on Swiss railroads and steamship lines within an 8-day period.

Currency discounts are attracting tourists to Germany, Hungary, and Italy. They can secure "travel money" from 15% to 40% below the normal exchange rates and it is acceptable for al-

most everything except actual exports or accommodations already covered by special discounts.

## Flat Rate in Russia

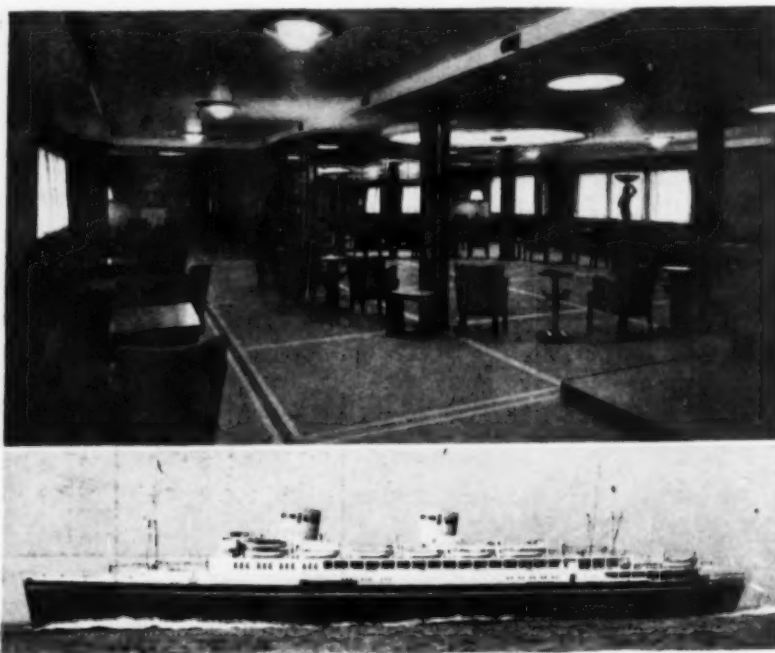
There are other inducements. Germany is counting on the Olympic games to give the country its best tourist season in years. Russia is attracting an increasing number of travellers with its flat price travel: \$15 a day for first class, \$8 a day for tourist, and \$5 for third. Freedom from the war scare, cleanliness, and inexpensive travel are attracting more travelers to the Scandinavian countries. Stockholm entertained 71,000 foreign guests last summer, looks for a 30% gain this year. South Africa, with the Empire Exhibit opening at Johannesburg in September, expects travel business to pick up even more than last year's 75% gain. "Orient Adventure Tours" and the special "Grand Tour to the Far East" account for the 30% jump in travel business expected on the other side of the Pacific. Hawaii says business is running 40% ahead of last year.

Not all travel business is moving away from the United States. To the usual domestic travel business (which *Business Week* will survey in a future issue), will be added this year an unusual influx of foreign travelers.

Two groups are already scheduled to come to this country from India, something entirely new in the travel line. Germany will continue to encourage Germans to visit this country, so long as they travel on German boats. What they spend ashore is limited by the amount of foreign exchange granted by Berlin financial authorities. In no case is it as large a sum as is spent for the transatlantic round trip.

## British Motorists Coming

An Englishman is arranging the most novel stunt. He has organized four groups of British motorists who will visit the United States and Canada during the summer. The first group of 35 automobiles and 83 guests will arrive in New York on July 27 on the *Queen Mary*. After two days and three nights in New York, the party will drive to Washington for two days' sightseeing, and then go to Detroit for two days, a part of which they will be the guests of Henry Ford. From Detroit the cavalcade will cross into Canada and proceed by way of Niagara Falls, Toronto, and Ottawa to Montreal. There they will embark on the *Duchess of Richmond*



**BARTER BUILT, TOURIST TOP**—This week another up-to-the-minute maritime salesman arrived from Poland—the *Batory*, sister ship to the *Pilsudski*, and like her, built by Italy in exchange for \$6,000,000 worth of Polish coal. Tourist-class facilities are the best available, and by taking over a lot of space which might have gone into luxury use, the *Batory* is able to carry 355 tourist and 405 third-class passengers in comfort. Twelve countries are represented in the materials which went into the *Batory*: the United States being the source of gyrocompass, fire extinguishing apparatus, all kitchen equipment, and kitchen utensils. The interior shown above is the Social Hall, comprising main drawing room and four smaller rooms.



for the return voyage. The three later groups will reverse this itinerary, arriving in Montreal on the *Empress of Britain* and embarking on the *Queen Mary* in New York.

Another novelty connected with the tour is the fine weather provision. A British insurance company will pay each traveler \$15 for every day of bad weather while in this country.

private operators to be the only out. Based on the very low energy rates which TVA must have given to Monsanto and on the raw materials in the valley, some important industrial developments may now be expected.

## TVA Will Sell to Industries

**Deal with Monsanto Chemical Co. is forerunner of others. Site of Fontana dam may be bought from Mellon interests after election.**

BRIEF announcement last week that the Tennessee Valley Authority has made a deal to sell Monsanto Chemical Co. electric energy to make phosphoric acid in a new plant in the Tennessee phosphate fields indicates that the Authority is going after industries which need large blocks of very cheap power.

When Monsanto took over Swann Chemical some time ago, the original electric-process phosphoric acid plant that Theodore Swann developed at Anniston, Ala., was included. Monsanto has since been reported to be planning expansion of that plant.

Meantime, TVA has been making phosphoric acid electrically on a large scale for its huge fertilizer program. All this fertilizer goes from the plant at Muscle Shoals to farmers in the valley and contiguous areas for demonstration use on soil-building and soil-conserving crops. Monsanto apparently does not fear that TVA intends to sell fertilizer. Rather, it evidently thinks, TVA is building new markets for fertilizer.

Swann bought electric energy from Alabama Power Co. for his Anniston plant at what is generally known to have been around 3 mills per kw.-hr., with no demand charge. Neither TVA nor Monsanto has yet announced the rate that Monsanto will pay for energy from the great government hydro plants along the Tennessee River. But Monsanto has purchased land containing phosphate deposits south of Columbia, in Maury county, and preparations for an ore-treating plant and strip mining operations are under way.

### Fontana Deal Marks Time

This first big industrial load to have been secured by TVA does not necessarily mean the Authority is going after that class of business aggressively. Thus far the emphasis—and the TVA act—are all for serving the domestic consumer first. But the TVA negotiations with the Aluminum Co. of America were not stopped by the failure of Congress to set aside the money for TVA to buy the site of the great Fontana dam in North Carolina from the Mellon interests. That deal appears to be marking time until after the election. The Administration probably wants to avoid a public deal with Mellon until after

the votes are cast in November. There are plenty of reasons to believe TVA and the Aluminum Co. will get together later.

TVA doubtless will get more big industrial loads soon. Many concerns are known to have flirted with the Authority for power. Most of them want government financing, which TVA cannot and apparently does not want to supply. Deals with private industries are not liable to be blocked by court fights such as have held up the TVA program to supply electric service to rural co-operatives, villages, and cities in the valley. TVA also seems to perceive that the huge blocks of "incidental" power from the great hydro plants it is building along the Tennessee River cannot be taken up by domestic consumers. Large industrial loads are recognized by

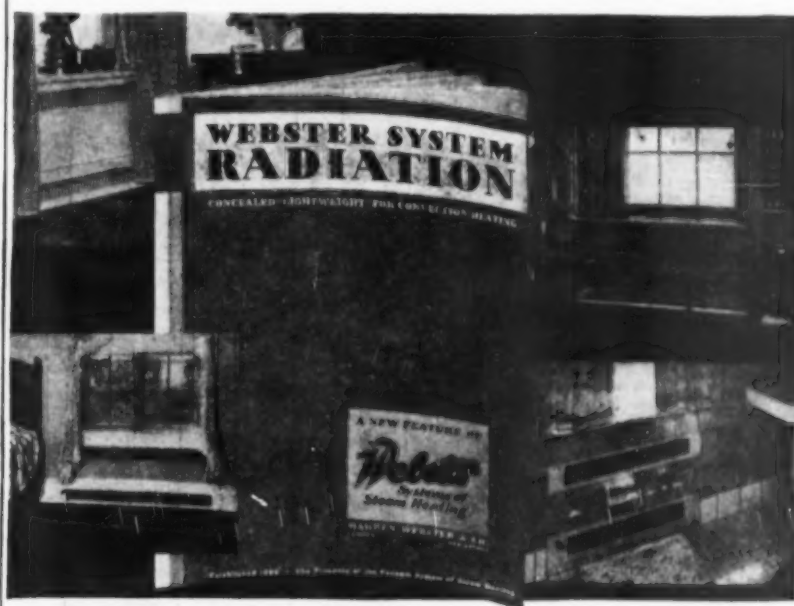
## Rail-Barge Battle

**Drive to get gasoline shipments back to railways extended to include Alabama river traffic.**

BETTER earnings statements apparently have convinced railroad executives that the time has come to go after traffic. In North Carolina they have put into effect rates on gasoline which were bitterly opposed by independent truckers (*BW*—May 16 '36, p. 16). Now the railroads make a drive to take gasoline and kerosene shipments from Alabama river barges.

The Interstate Commerce Commission has been asked to permit heavy reduction in the rail rate. Proposed cuts are to about 50% of normal, would make the rate (per 100 lb. of gasoline) 18½¢ from New Orleans-Baton Rouge to Birmingham, and 15¢ from Mobile to Birmingham. Barge interests protest the proposed schedules are below costs.

The ICC has refused a temporary sanction of the new rates, will consider the case on a report now being prepared.











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# The Business Record, State by State

Percent Gain or Loss from First Quarter 1935 to First Quarter 1936

States by Regional Groups	 Passenger Car Sales	 Commercial Car Sales	 Household Refrigerator Sales	 Ordinary Life Insurance Sales	 Value of Checks Drawn	 Farm Income	 Electric Power Output	 Heavy Construction
<b>New England</b> .....	+19	+8	+39	-14	+22	+28	+4	+108
Maine.....	+58	+14	+8	-14	+20	+95	-4	-19
New Hampshire.....	+29	+41	+50	-12	-3	+19	-16	+361
Vermont.....	+13	-20	+38	-5	+11	+10	-22	+301
Massachusetts.....	+12	+1	+35	-13	+24	+14	+3	+45
Rhode Island.....	+30	+25	+52	-8	+17	+14	+46	+277
Connecticut.....	*+24	*+15	+52	-20	+19	+3	+18	+388
<b>Middle Atlantic</b> .....	+21	+16	+40	-20	+20	+17	+11	+114
New York.....	+35	+13	+47	-21	+22	+22	+9	+91
New Jersey.....	+18	+22	+56	-14	+13	+8	+15	+350
Pennsylvania.....	+5	+18	+27	-19	+10	+13	+13	+149
<b>East North Central</b> .....	+32	+32	+21	-14	+20	+7	+13	+139
Ohio.....	+41	+35	+13	-16	+19	+3	+10	+71
Indiana.....	+56	+37	+38	-13	+21	-5	+10	+54
Illinois.....	+34	+43	+24	-16	+20	+9	+23	+181
Michigan.....	+12	+15	+14	-10	+20	+12	+8	+376
Wisconsin.....	+38	+27	+29	-10	+17	+20	+10	+151
<b>West North Central</b> .....	+21	+16	+8	-10	+12	+6	+3	+55
Minnesota.....	+27	+19	+25	+2	+15	+12	+30	+99
Iowa.....	+2	-2	+6	-9	+8	-1	-1	+31
Missouri.....	+26	+35	+8	-16	+12	+8	-23	+15
North Dakota.....	-10	-20	+34	-17	+10	+43	+14	+271
South Dakota.....	+19	-0.1	+8	+8	+26	+26	+21	+300
Nebraska.....	+42	+26	-10	-11	+13	+28	+14	-38
Kansas.....	+16	+5	+8	-13	+7	-21	+18	+183
<b>South Atlantic</b> .....	+2	+15	+29	-12	+13	+10	+21	+60
Delaware.....	+18	+20	-13	-7	+32	-4	+23	+901
Maryland.....	-3	+8	-1	-13	+16	-0.5	+2	+482
Dist. of Columbia.....	+13	+22	+65	+4	+21	No data	+28	+567
Virginia.....	+6	+16	+11	-19	+9	+28	+36	+31
West Virginia.....	+21	+29	+35	-15	+4	+7	+22	-34
North Carolina.....	-29	-3	+59	-12	+10	-12	+25	+1
South Carolina.....	-10	+15	+93	-17	+9	-11	+33	+27
Georgia.....	+22	+37	+18	-17	+6	+1	+22	-33
Florida.....	+10	+9	+16	-8	+15	+34	+16	+579
<b>East South Central</b> .....	+15	+48	+35	-18	+9	-16	+9	+51
Kentucky.....	+10	+28	+65	-15	+9	-32	-1	+89
Tennessee.....	+25	+66	+34	-17	+8	-10	+16	+39
Alabama.....	+13	+44	+7	-29	+13	-1	+8	+55
Mississippi.....	+5	+57	+60	-8	+1	-3	+4	+163
<b>West South Central</b> .....	+14	+30	+31	-12	+17	-13	+13	+73
Arkansas.....	+27	+68	+32	-15	+20	-13	-54	+56
Louisiana.....	+46	+69	+45	-24	+7	-27	+36	-11
Oklahoma.....	+6	+33	+32	+4	+21	-11	+12	+19
Texas.....	+8	+14	+26	-13	+18	-11	+10	+139
<b>Mountain</b> .....	+38	+29	+49	+4	+16	+16	+19	+152
Montana.....	+48	+30	+79	+3	+5	+12	+1	+165
Idaho.....	+46	+41	+65	+13	+12	+6	+27	+159
Wyoming.....	+36	+6	+18	+16	+15	+14	+23	+294
Colorado.....	+24	+40	+0.4	-4	+18	+36	+20	+115
New Mexico.....	+35	+38	+25	-0.4	+21	+12	+10	+639
Arizona.....	+37	+27	+58	+55	+19	+5	+60	+145
Utah.....	+31	+0.4	+122	+1	+13	+11	+33	+844
Nevada.....	+104	+38	+100	-9	+17	+10	+114	-47
<b>Pacific</b> .....	+31	+13	+62	-10	+25	-1	+15	+110
Washington.....	+47	+44	+26	-3	+23	-4	+14	+211
Oregon.....	+69	+75	+45	+3	+20	+6	+8	+38
California.....	+23	-8	+76	-12	+26	-0.5	+17	+106
<b>UNITED STATES</b> .....	+22	+23	+32	-15	+19	+7	+12	+96

\*Based on first two months.

Business Week

## Canadian Radio

### New Dominion broadcasting set-up expected to encourage more commercial programs.

OTTAWA (*Business Week Bureau*)—Canada is to continue with a hybrid system of radio broadcasting—part government-operated public service, part commercial—but with the public service end under new management. The government will continue to operate networks and broadcast sustaining programs, and commercial broadcasters will operate most of the stations.

The Commons committee which has been investigating the present radio broadcasting commission will recommend its replacement by an honorary board of nine directors representing geographical sections and a general manager to run the business. The present commission of three members gives full time to the business and has no general manager; the new body will meet only a few times a year, leave the administration to the general manager.

Commercial broadcasting and advertising interests submitted to the committee proposals for joint public and commercial control but they were not accepted. The new set-up will be expected to encourage more extensive commercial broadcasting.

Public service broadcasting will continue to be Canada's policy, and except for the need to economize the present government would probably proceed to establish a complete physical set-up, including a chain of high-power stations across the country. But the British example of barring broadcast advertising will not be followed. The public service system will seek revenue from increased commercial broadcasting.

## Smuggling Conquest

As Japanese goods slip through Chinese customs, other foreigners lose trade and China's weakened industries fall into Japanese hands.

JAPANESE smuggling into China is going to have a profound effect on American exports to the Orient. For those readers who do not understand why China cannot control the situation, here is a brief explanation of Japan's methods.

The territory on the mainland of Asia which Japan has annexed since 1931 is about the size of Texas and California combined. On the south it has a Chinese frontier of many hundreds of miles more or less following the line of the Great Wall.

When Japan set up its puppet state of Manchukuo in control of this region, China, without recognizing the new state, moved its customs frontier back to

the Wall. Because of the mountains all along the border, practically the whole flow of trade between China and the Manchukuan state was through the breach in the Wall at Shanhaikuan, where the Wall comes down to the sea.

Within the last year, Japan has set up a so-called "autonomous" state south of the Wall. It includes all of the territory south to a line connecting Tientsin and Peiping, though these two cities are theoretically still under Nanking. Japanese military police dominate this region, including the rail lines running south to the populous Yangtze valley.

China no longer has any control of the 150 miles of seacoast between the Wall and Tientsin. Though there are no good deep water harbors, small Japanese freighters are unloading thousands of tons of goods at a half dozen small ports. Chinese farm carts and all available trucks have been pressed into the service of the shippers who are rushing their goods to the nearest rail head, into Tientsin, and then south into China.

### Now Big Business

This smuggling has been going on for many months but it is only since the beginning of this year that the smuggled articles are beginning to reach such distant and important markets as Shanghai and Hankow in big volume.

Cotton and rayon goods, rubber tires, gasoline, and sugar have arrived in the

largest quantity and caused Chinese industry the greatest worry. All of the 62 native sugar firms in Shanghai are reported to be on the verge of closing because they cannot compete with the smuggled imports. Native sugar is piled high along the Bund. Refiners have petitioned the government for assistance.

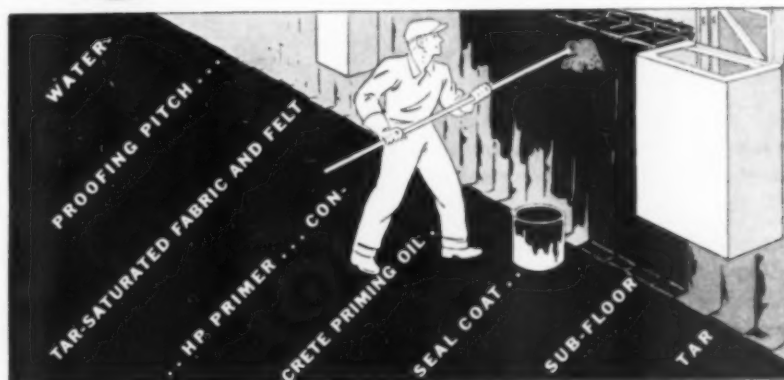
Flour from Manchukuo is beginning to make similar inroads, though it is not of good enough quality to replace foreign imports on the better class markets.

### Tire Companies Hit

Tires are the newest item to be smuggled. They are coming in such large numbers that the market as far south as Shanghai is completely demoralized. Duties on tires amount to about 28% of the selling price. Smuggled goods immediately have this price advantage. In addition, tires made in Japan are much cheaper than other foreign imports. American tire companies are reported to have withdrawn and left their China business in the hands of Chinese agencies, though some are manufacturing in Japan.

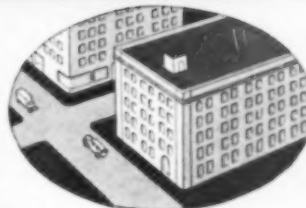
One interesting slant on the trade unsettlement came from the Japanese merchants in Shanghai who protested to the Chinese Foreign Office last month that their wholesale business was being upset by the smuggled goods which Chinese retailers were taking in place of their more expensive products

## KOPPERS AND THE Waterproofing INDUSTRY



There has been an enormous increase in the waterproofing and dampproofing of masonry and concrete structures in the past few years, but this industry has still only scratched the surface of its potential volume. More and more business men are realizing the great savings to be made by adequately dampproofing and waterproofing foundations, bridges, walls, floors and other places exposed to water, and as this realization grows, the waterproofing of buildings will be almost universally adopted in locations where exposure to water is likely.

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which had come through the regular customs at Shanghai.

Strengthening of the Japanese garrisons in North China this month, the determination of military authorities in Tokyo to carry out their ambitions on the mainland, and the realization by Japan that it must have complete control over the political and economic situations in China if Tokyo is successfully to carry out a military campaign

against the Soviets at some future date are behind the present trade maneuver. The loss of customs revenue weakens the Chinese government. So does the public acknowledgement that it cannot control business within its own territory. Japanese capital is buying into Chinese industries as fast as they succumb to the invasion. Without outside intervention Japan will soon have full control of China's industries.

## Slapping a Big Customer

**United States raises duties on some textiles, hitting Japan, which buys \$100,000,000 of our cotton and sells us \$5,000,000 of cotton goods.**

PRESIDENT ROOSEVELT, on recommendation of the Tariff Commission, has raised duties on imports of yarn and of bleached, printed, and dyed cotton cloth an average of 42%, effective June 20. Imports of these items from all countries are affected, but trade figures show that it is Japan at which the barrier is aimed. Imports of cotton goods from Japan jumped from 51,000 sq.yd. in 1932 to 75,000,000 sq.yd. last year.

Textile mills, particularly in New England, have protested these imports for several years. Washington, remembering that Japan is our best customer for raw cotton, attempted to solve the problem without creating ill will in Tokyo. Negotiations for a voluntary agreement with Japan to limit exports of these particular items broke down only a few weeks ago. Previous similar negotiations affecting cotton rugs, lead pencils, and erasers had ended in an agreement by Japan to limit exports.

Textile leaders declare the move is a "step in the right direction," but that the 42% increase in the import duties is insufficient to protect the domestic industry. Japan, convinced that purchases annually of more than \$100,000,000 of American cotton would forestall any restriction on exports of cotton goods to the United States which have amounted to about \$5,000,000 a year, has threatened to retaliate by covering more of her raw cotton needs in other markets.

### Hope for Agreement

While there is sympathy in this country for the part of the textile industry which has been upset by these large imports of low-grade items from Japan, there is a general feeling in foreign trade circles that the move is unfortunate, and a hope that negotiations will be opened soon with Japan for a reciprocal trade agreement in which such problems can be ironed out.

In the last five years Japan has become our largest market for raw cotton. This business has become so large that

it has turned a trade balance which for many years had been favorable to Japan into a large balance to the credit of the United States, and pulled Japan into third place (after Great Britain and Canada) as a market for American products. Our sales to Japan last year of all items ran to \$203,000,000, while our imports amounted to only \$151,000,000. We have exported nearly \$20 worth of cotton to Japan for every \$1 worth of cotton textiles we have received from Nippon.

### No Permanent Solution

Washington's determination to protect all industries from any sudden onslaught of cheap imported goods demanded the present action, but it is no permanent solution of the problem.

United States industry is more seriously affected by tariff changes in Australia, one of our best markets for manufactured goods, particularly automobiles.

Australian tariffs have been increased and a long list of items will be imported under license. Details have not yet been received in this country, but it is known that Australia once more is attempting to import from countries that now buy the largest volume of Australian goods.

Britain, Japan, and the United States will be affected. The British will be given preferences wherever possible. An effort will be made to give Japan a larger share of the market to make up for the enormous sales of Australian wool to Nipponese mills. Japan has threatened to shift wool purchases to other markets unless the Australian market is opened for larger sales of Japanese goods.

The United States normally sells Australia almost four times as much as is purchased from this southern continent. Our sales last year were greater than \$57,000,000, but we bought less than \$15,000,000 of Australian products. This is another trade situation which demands careful negotiation when trade talks are opened with London covering Britain and the Empire.

# Business Abroad

## Foreign trade runs into a squall blown up by Australia, Brazil, and Japan. Canadian farmers admit large gains under new trade agreement with United States.

UNITED STATES foreign trade, after a year of clear sailing, ran into a stretch of stormy weather this week. Australia blew up the tempest by suddenly raising import duties on several important products, and putting a much longer list on a quota basis. Brazil's threat to negotiate a \$30,000,000 or more barter deal with Germany, and the chaos in the China market (page 35) due to Japanese smuggling were black clouds threatening more stormy weather ahead.

### Blow from Antipodes

Australia's move is the most important to business and the one the United States is least prepared to fight. Trade between the two countries is far out of balance. Australia is a big market for American manufactured goods, particularly automobiles, office equipment, and electrical appliances. In return, the United States buys Australian wool and skins. But it's a one-sided business, with the United States selling last year \$4 worth of goods for every \$1 worth it purchases from this southern customer.

Australia has two purposes in revising its foreign trade plans. It must earn a surplus of sterling exchange with which to meet its interest charges in London. It is determined to build domestic industries so that the country will be less dependent on exports of its two major crops—wheat and wool. Domestic industries can be cultivated only behind the protection of a high tariff wall or an import quota system which will keep out a flood of foreign goods.

### Quotas Awaited

The United States will be affected by the move in Australia more than any other country, but until the quotas are definitely assigned by Canberra, American business will not know exactly how much it is to suffer.

Washington is in a much stronger

bargaining position in the flurry with Brazil. It has grown out of the announcement that Brazilian government officials at Rio de Janeiro have completed negotiations with Germany for an exchange of goods, Brazilian coffee and cotton being traded for German machinery, electrical and railroad equipment, dyestuffs, coal, and steel. Since the Brazilians agree to spend on German goods virtually the same amount that the Germans spend for Brazilian cotton and coffee, and since the Brazilians can use "blocked marks" to make payment (which means that they buy them at a discount ranging up to 30%), the United States is protesting that the deal is contrary to Brazil's commitments to the United States under the new reciprocal trade agreement which promises most-favored-nation treatment in both directions.

### Brazil on Spot

Washington stands on firmer ground to handle this situation. The United States buys far more from Brazil (mostly coffee) than Brazil buys from the United States. This country is Brazil's best customer, buys 40% of its exports. Germany, in spite of a vast increase in purchases last year, took only 17% of Brazil's exports.

There is no import duty on coffee coming into this country and Washington has consistently refused to create one for it would simply increase the cost of an important item used by most American families and which is not

produced within this country. The President has no authority to create a duty on a product, but it is possible that Congress would vote such a duty if it became necessary to bargain reasonably with the coffee producing countries.

### Deliberate Smuggling

Japanese smuggling into China is much more than an economic problem. It is true that it is disrupting a great market, and placing American and other foreign products in an impossible competitive position in the entire China market.

It is more important to Japan, however, for its political possibilities. The Chinese government's principal source of revenue is the customs. One way to coerce Nanking into submission is to undermine its financial support. Another is to gain a sufficient foothold in every important industry in China to dominate the business picture. Japan needs to do both of these things if China is to be an assured market for Japan's industries operating both at home and in China.

No country has effectively opposed this drive in the five years since it was started in Manchukuo, but Washington officially allowed the implication to get abroad this week that the situation might be handled in negotiations with Tokyo covering trade in general and certain specific markets. Following the silver agreement with China, this may indicate that Washington is preparing to take a more active part in protecting United States trade interest in the Far East.

### Japan Demands Control

Another blow to American business abroad developed in Japan this week. The Diet, in special session, passed the Automotive Industry Control Law, the purpose of which is to force all companies operating in Japan to be 51% controlled within the country (*BW*—Aug 17 '35, p. 28). Ford and General Motors are the only foreign companies assembling in Japan, but they refused to



Underwood & Underwood

**GOOD WILL FROM 21**—Amity between the United States and 21 South American and Central American nations, daily being reaffirmed by the steady growth in international trade, will be further advanced at Buenos Aires when the Pan-American good

will congress is held there this summer. Sec. Hull (center) held a preliminary conference last week, with representatives of the participating countries, to issue the President's formal invitations and to discuss arrangements.

comment on future plans until more information is received from Tokyo.

## Germany

**Anglo-Italian squabble hides German developments along the Rhine.**

BERLIN (*Wireless*)—Business is featureless, and Germany, politically, is marking time.

The increasing Anglo-Italian tension is permitting Germany unobtrusively to carry through its own schemes for settlement of the Rhineland according to its own plans.

There have been no fresh developments in the Schacht-Göring struggle, and, outwardly, all is quiet. Actually, the tension is unrelieved.

The number of unemployed in Germany at the end of April was 1,763,000, or 174,000 fewer than at the end of March. Failures in April totaled 181, against 258 a year ago. Retail turnover is running 9% ahead of last year, and consumption of electricity is up 15%.

Following the deal with Manchukuo to trade German machinery for Manchukuan soy beans, there were rumors in Berlin this week that a similar agreement has been reached with Brazil to exchange manufactured goods for coffee and cotton.

Imports from the United States for the first three months of this year were 50% greater than a year ago.

## France

**What financial Paris expects under the new government. Socialists win Belgian election.**

PARIS (*Wireless*)—The slow recovery of French business due to the reaction on this country of better business abroad and to the stimulus of government orders is still evident in the general indicators, but activity in Paris came to a standstill this week. The new Chamber of Deputies assembles Monday (June 1), and the new cabinet will probably be announced within a few days. Soon after that there should be concrete political developments which will shape the course of future business.

The monetary outlook is obscure, but astute financial leaders anticipate that developments will be along these lines:

1. At the beginning of June, the new government may take severe measures to control the export of capital through control of the foreign exchanges and the refusal to sell gold to anyone but a central bank. It should be noted that, though no such regulations have as yet been taken, it is getting increasingly difficult for French interests to export their capital. Checks in foreign currencies are sold unwillingly by banks. A bank will generally refuse

today to sell foreign bank notes except for a very moderate amount, and strictly for traveling purposes. Moreover, the banks have already decided to refuse any franc loans against foreign currencies, and the carrying out of this decision has considerably reduced the possibility of selling francs short. It is only a normal next step to block the franc on foreign exchanges just as the lira and the mark are blocked. Its parity will theoretically not be altered but its market, strictly controlled, will be very small.

### Another Dual Currency

2. Immediately the franc is blocked, a serious short position is likely to develop in such international financial centers as London and New York. Massive speculative sales of francs by foreign interests would logically develop. No credits will be available from French banks to sell francs short, but there are always leakages from tourists who carry notes out of the country, or from floating francs resulting from commercial transactions or capital evasions. These floating francs, or the speculation against the currency based on them, will depreciate the value of the French currency on foreign markets. In other words, there will be an official gold franc and a "black" depreciated franc, unofficially quoted but freely obtained.

3. After a period of time—possibly six months, perhaps much longer—and during which the Socialist government, strongly inspired by the Roosevelt theories and the German experiments, will have largely developed credit inflation through the discount of Treasury bills by the Bank of France, or the discount of labor drafts as in Germany, the government will one day decide to devalue the franc by stabilizing on the basis of its foreign quotation. With huge gold reserves, the French situation will be quite different from that of Germany, and the currency experiment might last several years. The unexpressed desire of the government would probably be to await an invitation of the two Anglo-Saxon countries for a general lining up of all major currencies before deciding on a new gold value for the franc.

How closely developments will parallel these lines will be evident in a few weeks.

### Socialists Win

Belgian elections last week followed the trend set in France and Spain recently. Both extremes—the Communists and the Fascists—won large gains at the expense of the Catholic party, largest in the retiring Belgian government. Fascists will be represented by nearly 10% of the Deputies; Communists trebled their numbers. In spite of these gains, however, the Socialists have the largest representation in the Chamber



*Underwood & Underwood*

**TRADE TREATY EXPERT**—Harry C. Hawkins heads the division of trade agreement for the Department of State, succeeding Henry F. Grady. Preliminary discussion of a reciprocal treaty with Costa Rica is well along, with 14 such pacts already signed.

and their leader, Vandervelde, will eventually be premier.

Belgium has just gone through a financial experiment which, though it has been successful, has created discontent in many classes. Belgian Fascists recently organized as the Rexists, and in the recent electioneering period carried on violent campaigns against individual financial and political leaders. In many cases, they attacked these people through the courts on the score of mismanagement of public funds or of using government situations to further their private business. This has attracted a wide following from all classes.

## Great Britain

**Interest rates show signs of hardening. Big cotton company reports fall in profits.**

LONDON (*Cable*)—Business is subdued and the stock markets are flat, half due to the long Whitsun holiday and half to the political uncertainties at home and on the Continent.

Industry is depressed by the announcement of heavy expenditures for rearmament and for the maintenance of larger garrisons of troops in Palestine, Egypt, and in the Mediterranean bases. Taxes will inevitably mount in the next budget.

Interest rates are expected to rise following the rising demand for money at home by industry and the probability that both Australia and South Africa will enter the London market soon for



loans of £10,000,000 each. If interest rates harden rapidly, it will increase the cost to the government of carrying the floating debt.

In spite of continued good reports from many companies, two unfavorable developments darkened the business outlook this week. J. & P. Coats, the great cotton house, reported a heavy drop in profits in its latest report, and the unfavorable trade balance is increasing. This export sluggishness has revived rumors in the City that the pound will be allowed to drop below present exchange levels in order to stimulate sales abroad, particularly if the French franc is devalued.

The British Stationery Council has proposed a \$250,000 advertising program to popularize letter writing as a means of increasing the consumption of fine writing paper. The campaign is expected to begin in the fall and extend over 12 months.

## Canada

### Automobile business goes to new Australian plants. Farmers rush products to U. S. market.

OTTAWA—Revision of Canada's trade pact with Australia may be negotiated in London within a few weeks. Following announcement of Australia's new policy of developing manufacture of its own automobile bodies and consequent restriction of importation of completed cars from North America (mainly supplied from Canada), it is understood Trade and Commerce Minister W. D. Euler will go to London to engage in discussions with Australian Commerce Minister J. Earle Page.

The Australian policy has been anticipated by Canadian Ford and other auto manufacturers supplying the market and they are prepared to set up plants in the sister dominion.

Livestock, dairy products, and lumber are benefiting heavily by the Canada-

United States trade treaty. Reduction from \$30 to \$20 in the United States duty on horses has increased exports from 1,600 head in the first four months of 1935 to 8,700 in the same period of this year, the value increase being from \$199,000 to \$1,025,000. Consequently, horses are at a premium in Canada now. Cattle exports rose from 39,000 head worth \$2,262,000 to 75,000 head worth \$3,605,000; swine exports from a value of \$3,000 to \$390,000. Cheese exports went from \$21,000 to \$407,000, and live poultry from \$1,800 to \$46,000.

The cut of two cents a pound in the American duty on maple sugar increased Canadian sales from \$57,000 to \$492,000. Turnip exports also rose from \$173,000 to \$355,000.

Lumber and wood product exports have increased: softwood from \$1,642,000 to \$3,227,000; hardwood from \$145,000 to \$307,000; square shingles from \$1,189,000 to \$1,510,000; wood-pulp from \$6,724,000 to \$7,965,000; newsprint from \$20,315,000 to \$23,589,000.

Largely because of lower interest yields on government treasury bills, Canadian chartered banks have again reduced the interest rate on savings deposits. It goes to 1½% from 2% on June 1.

### No Aid for Aberhart

Premier William Aberhart has returned west after failing to secure federal assistance in his financial worries. Ottawa frowns on his proposal for compulsory conversion of Alberta's debt, and doesn't like his scrip payments for highway work. Finance Minister Dunning, nevertheless, is seeking a way to save the province from further default, would help if Aberhart would consent to voluntary conversion and accept federal supervision of his financing.

Advice and supervision in connection with provincial finances by the Bank of Canada would be a logical method of dealing with the matter and in keeping

with one of the original aims in the creation of the central bank system. But as the Bank of Canada is coming under state ownership, its supervision would be on behalf of the Dominion and, for this reason, objectionable to the autonomy ideas of Alberta and British Columbia. Some plan embracing Bank of Canada supervision may be worked out, but the feeling is growing here that the most important thing for Ottawa to do is to protect Dominion credit even if it means provincial default.

If the Senate rejects the constitutional amendment, Mr. Dunning will make some further effort to bring the provinces into line. Meantime, Premier Aberhart appears so far to be making no progress here toward getting unconditional federal help with necessary new refinancing.

### Right to Tax

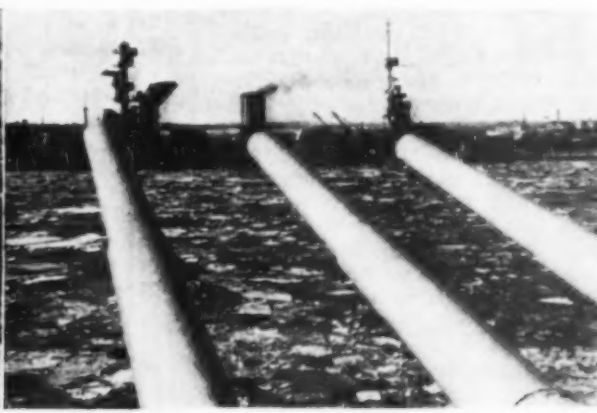
Business is more disturbed by the proposed constitutional amendment giving the provinces the privilege of indirect taxation. A sales tax is contemplated.

Before the war, direct taxation was left pretty much to the provinces but war costs forced the Dominion to impose income taxes. Senate objection to the proposed amendment is mainly that it would enable the provinces to set up trade barriers among themselves—discriminating in the tax as between goods produced within or without the province. New Brunswick passed an act a few weeks ago providing for such discrimination and its validity is likely to be challenged. Alberta has a new sales tax that in three weeks of application has aroused much protest from retailers. Big business is backing Senate resistance to the amendment, both in fear of inter-provincial trade barriers and general nuisance.

If the amendment is killed in the Senate, Alberta's tax will be challenged in the courts. Some other means of assisting the provinces to increase revenues will be found.



Not foto



Not foto

**RUSSIA BACKS HER WORDS**—Behind the Soviet's arguments in the naval negotiations with Great Britain now under way lie the stern reminder that the Russian army and air force now

are built up to tremendous strength, and that her navy is on the way back. From this point on, her neighbors are advised, Russia will not take second place in strength of armaments.

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## A Swank Merger

**Manufacturer of men's articles consolidates vertically with wholesalers, under brand name.**

SOMETHING different in the line of mergers is announced by the Baer & Wilde Co., Attleboro, Mass., makers of jewelry and specialties for men. Instead of the conventional horizontal combination with a rival manufacturer, this company has completed a vertical merger with its wholesalers.

In addition to the top company, the organization includes John S. Sampson & Son, New York; L. Heller & Co., S. B. Lavick Co., Chicago; Schriver Co., Philadelphia; A. Rosenberg & Co., Boston; Milton Weiss & Co., Los Angeles. Name of the new corporation is Swank Products, Inc.

Advantages of the new setup are many. The wholesalers are no longer faced with the possibility of some day losing the line. Being close to the retailer and the ultimate buyer, they can assist the manufacturing company in preparing successful designs. The manufacturer has the advantage of reduced overhead, a more compact organization. Wholesalers included in the merger have been exclusive handlers of Baer & Wilde products in their territories.

This company originated the Kum-a-part cuff button which capitalized the

shift from the hard-boiled cuff of the gay nineties to the soft French double cuff. By 1920 a new style trend threatened the company's product. This was the "barrel cuff" with the sewed-on button. The company then developed the "Swank" collar holder which "looks like a pin but isn't."

## Streamline Trouble

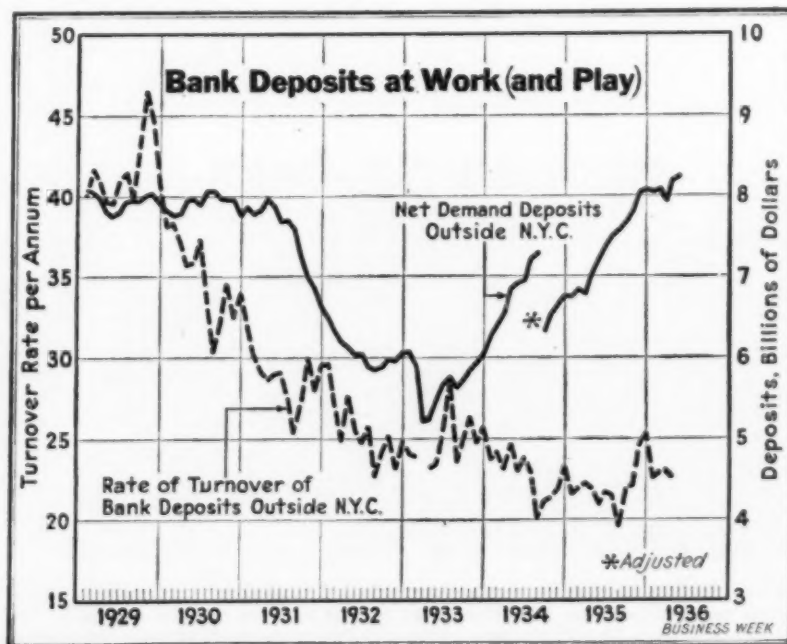
**Rail union insists diesel-electrics make two jobs. Steel breaks loose as Lewis plans drive.**

RAILROAD labor took a tip from striking seamen this week, when disputes between employees and management of three roads (New York, New Haven & Hartford; Boston & Maine; and Maine Central) moved toward a deadlock over the question of whether one or two men should occupy diesel-electric cabs.

Railroads throughout the country have been plagued for some time by this problem, which comes about through the adoption of power units which can be, and frequently are, operated by one man. The Brotherhood of Locomotive Firemen and Enginemen insists that two men are needed. In enlisting public support, it has stressed the safety argument—like the pickets in the New York ship strike.

The Boston & Maine announced last week that it would place a second man in the cabs of its streamlined units used for passenger service. The brotherhood demanded two men in switch-engine cabs as well.

Steel workers, meanwhile, struck a violent blow at Wheeling Steel Corp. in Portsmouth, Ohio—first demonstration of the way the Iron, Steel, and Tin Workers are prepared to go about their 1936 organization drive. Coincidental with the walkout of 5,500 men who demanded 50% wage increases and smashing of the company union, John L. Lewis announced that his miner workers were ready to go ahead with their plans and spend \$500,000 in the steel unionization drive.



# Money and the Markets

**LaSalle St. steals spotlight with spectacular trading in May wheat. Stocks still somnolent despite encouraging signs; rails may touch off rise.**

Now and then the stock market refuses steadfastly to respond to good news, choosing rather to find the cause for its next movement within itself—a process which may sound a good deal like pulling itself up by the bootstraps but which, nevertheless, sometimes works. The present market is giving some signs of going through just that sort of process.

Four weeks passed with extreme dullness and narrowly irregular price movements in the face of an exceptional budget of good news; but early this week, with the aid of strong lenses slightly tinted with rose, there seemed visible a broadening in the market and some mild price improvement. This ripple of enthusiasm originated in just the quarter from which inspiration had been sought—the rails.

## Action in April Recalled

The carrier shares had failed to break through to new highs early in April, when industrials were setting the best mark since 1931. This very shortly was followed by the April break and the ensuing lethargy. Many traders, therefore, held strongly to the opinion that the rise could not be resumed until the rails showed some signs of life. The carriers, aided by big improvement in April operating figures and 1936 peaks for carloadings, have obliged, and many traders who had been sticking to the sidelines have responded with a tentative sort of buying.

Right now there is little enough in the business news to attract a public following to stocks, aside from the relatively favorable showing of railroads. True, some important advances in finished steel prices have been posted, but mill activity has declined along seasonal lines. Automobile production has

turned quite sharply lower (although the six months' output is put at 2,575,000 units by Alfred Reeves, general manager of the Automobile Manufacturers Association). And there are isolated labor troubles such as that which closed Remington Rand plants early this week. Oil output remains above 3,000,000 barrels a day, but there have been substantial evidences of cooperation within the industry to control production. Moreover, Shell Union added to the impression that things will come out all right in petroleum when it restored the dividend on its convertible preferred, authorizing the first quarterly payment of \$1.37½ a share since July of 1931.

## Politics Muddles Outlook

Such conflicting developments are difficult enough to classify at best but the situation is further muddled right now by the rush to put through new legislation and to adjourn Congress. The conventions of the two major parties lie immediately ahead and industry's weather eye will be very attentive to planks inserted in the platforms. In addition, the financial community is anxiously awaiting the important forthcoming Treasury financing.

Members of the New York Curb and

interior exchanges breathed more normally after the Senate passed the amendments to the Securities Acts continuing trading in unlisted issues and sent them over to the White House. Unlisted dealings, which otherwise would have expired automatically on May 31, are bread and butter to most of these markets (BW—May 16 '36, p. 37).

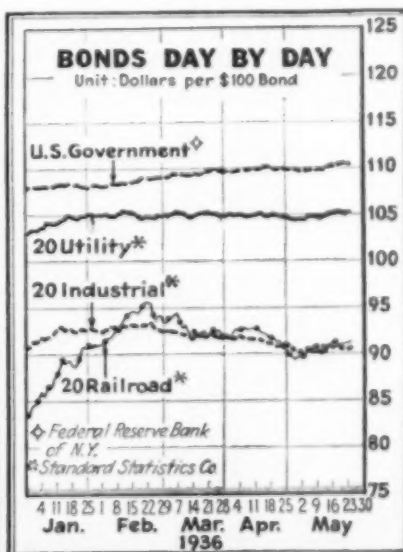
The Senate's action continues trading in unlisted stocks which now enjoy such privileges; permits, after 90 days, unlisted trading on one exchange in a security listed on another; allows, after six months, trading in a security which is not listed, but for which information is filed (with the SEC or an exchange) comparable in scope to that of a listed security.

## Over-the-Counter Rules

Other phases of the act deal with regulation of over-the-counter dealers and trading in over-the-counter securities. Also, an amendment authorizes the SEC to use the old 1933 "Truth in Securities" law to obtain periodic information on companies with securities outstanding but not traded on any exchange.

Chief significance to brokers is the fact that unlisted trading will not die a sudden death. To investors and speculators, the important factor is that trading will not end with consequent cracking values.

Behind the scenes there still is progressing a concerted drive to get something done about margins. It is reported that some of the big New York brokers have shown Federal Reserve authorities specialists' books—books which are said to reveal very thin margins, ostensibly due to high margins driving buyers off the scene. There is a strong suspicion, too, that all this talk of American security transactions going to London may be as much a plan to





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focus attention on the margin problem as it is a recital of fact.

But, while Wall Street had its problems, eyes of the speculative fraternity this week turned for a time to a situation down at the foot of Chicago's LaSalle St. There, on the Board of Trade, the May option in wheat expired spectacularly but not painlessly on Tuesday. This delivery, last of the old crop, ran up more than a cent the previous day to close at 95 $\frac{3}{4}$ ¢ a bushel—better than 10¢ above the new crop months. There still was an open interest of more than 8,000,000 bu. in May and probably not more than a third that much grain on hand to fill contracts. The stage was all set for the short squeeze that had been whispered for a week or more—only there is impending a bill in Congress to regulate commodity exchanges and traders were afraid to move for fear they would precipitate drastic changes in that bill.

At the close Monday the bid price for May wheat was 5¢ below the market and the offer 5¢ above—nominal, to be sure, but a frightening spread. So tight was the situation that there were few traders who were willing to bet overnight on Tuesday's trend. And the next day's market justified their caution. Prices plummeted 3¢, rallied to the previous close despite new lows for the year in both Winnipeg and Liverpool, and then, just at the finish, crashed the full 5¢ limit for a single day's trading to fade out at 90 $\frac{3}{4}$ ¢. Later deliveries were down more than a cent but the premium on May wound up at less than 6¢. Trading throughout the day was wildly excited, but the lows abroad, heightening the possibility of imports from Canada, were a somber influence.

**New Crops Take Stage**

Interest now turns to weather and its effect on the new crops. Drought is feared in the Dakotas; the western half of the cotton belt is suffering from excessive rainfall and the eastern section is praying for rain. Cotton, nevertheless, has been marking time; the commodity market control bill has been a stumbling block with its Smith amendments threatening the position of the big houses—such as Anderson Clayton & Co. and Geo. H. MacFadden & Bros.—due to the clause restricting any firm or individual to a 600,000-bale trading total each year.

Listed bond prices fluctuated narrowly with trading dull on the eve of the federal offering, but new issue volume picked up sharply. Investment bankers see no reason to anticipate any change in the level of interest rates and are optimistic on the market's absorptive power. Meanwhile, SEC has ruled that underwriters may "educate" their public while waiting for registration statements to become effective so long as there clearly is no offer to sell. Halsey, Stuart

& Co. became the first to try such a "summary" in connection with the \$22,000,000 Peoples Gas offering. The first industrial coupon as low as 3 $\frac{1}{2}$ % came out this week on the \$85,000,000 Standard Oil of New Jersey issue, all but \$30,000,000 of which was placed privately.

Majority rule in municipal readjustments is out the window. The Supreme Court, in a five-four decision, has seen to that. By throwing out the Municipal Bankruptcy Act, which had attained the ripe New Deal age of two years, the high court replaces a premium on creditor obstinacy in local government affairs.

A minority, demanding its pound of flesh, can hold up debt settlements, even though a majority of bondholders is prepared to accept a composition offer. The Supreme Court held that the federal government has no constitutional authority to intervene in state or local affairs.

Result: Small governmental units—local drainage, levee, irrigation and school districts and some towns—will have to return to the old method of arranging settlements, without a court as an arbiter.

**SEC's Plans Ruined**

The Securities & Exchange Commission, in a report on municipal bankruptcies (*BW*—May 9'36, p.44), had pointed out the difficulties of debt readjustment under the old order of laissez faire. The commission urged that Congress extend the act, which was done; also it said that it would make further recommendations for amplification of provisions. Now, change of plans is forced.

From the standpoint of important municipal bond issues, the decision is not momentous. Most large communities with bond defaults have managed to come to terms with creditors without the courts. But in some instances, affecting small communities in which banking pressure for a readjustment was not insistent, the Municipal Bankruptcy Act came in handy. Under its cloak, the Reconstruction Finance Corp. disbursed \$54,000,000 for debt settlements, another \$66,000,000 had been authorized. Postponement or cancellation of some of the RFC pledges is to be expected.

Broadly speaking, the readjustment law was a viable weapon for speedy settlements of municipal debt troubles, simply because local governments could make creditors sit up and take notice by threatening to go to federal court. Chief objective of the SEC, under the ex-law, was to curtail the self-aggrandizing activities of protective committees.

One solution of the whole business would be for the states to pass laws governing municipal bankruptcies to conform with the repudiated federal act. But that is a tedious business, fraught with political uncertainties.

## Editorially Speaking—

GARMENT manufacturers are discussing a cellulose substance which, when perfected, may "enable men's suits to be tailored merely by pouring the substance over a form on the body, later allowing it to cool." We'll all wear formal dress then, and long may the poured suit reign!

IN southwestern Missouri Dave Dingler is president of the Cassville & Exeter Railway, which runs five miles across the Ozark hills and is so thoroughly local in its effects that the Interstate Commerce Commission attempts no control over it. Mr. Dingler genially advises railroad presidents that they can avoid regulation "by building your line so short nobody will bother you." Or by building a roller coaster.

At the first National Exhibition of American art, Gov. Hoffman of New Jersey laid a hard right on a newspaperman's jaw, thus giving a national exhibition of an American art.

STUART PEABODY, advertising director of the Borden Co., lets us know that the Toronto firm we mentioned recently isn't the only one that uses the date-lines of its letters as a place to proclaim its own antiquity. Borden has been doing the same thing, in a slightly different way, since 1932, when it was 75 years old. Mr. Peabody's letter begins:

May 15, 1936

Borden's 79th Year

and the same lines are repeated just before "Yours very truly."

COME bonus, go bonus, come pension. Though the veterans haven't got their bonus yet, except so much of it as they've already borrowed, the fight for pensions has already begun. A veterans' magazine serves notice that pensions will be demanded as soon as the veterans reach the average age of 46. It seems that the Civil War veterans were 46 in 1890, when the first Civil War General Pension Bill was enacted, and so 46 has become a symbolic and sacramental age. And the average veteran will attain it around 1940.

Maybe pensions are inevitable. Certainly they're an old American tradition. We can remember all the roaring and clamoring about pensions, back in the Michigan farming region where we grew up. Our granddad had been in the war, and he got more kick out of one dollar of pension money than out of ten ordinary dollars. All the old boys used to get together at the postoffice and discuss and scheme how to put more steam into the drive for greater pensions.

The money came in handy, too. Some veterans built up large farms with their

pensions. Every check meant another payment on a land purchase, or a horse, or a plough, or a brood of pigs, or a lot of paint and wire and general fixin' up. We grew up with the roar for pensions in our ears, and we've been expecting to hear it again ever since 11 o'clock of the 11th day of the 11th month of 1918.

IN the face of rapid Nazi rearmament, says Winston Churchill, the Baldwin government is suffering from a "paralysis of phlegmatic composure." It will suffer from more than that before Mr. Churchill gets through with it.

FOR more than 20 years the Federal Reserve Board has had its bulletin printed by the Government Printing Office. Now it has turned the job over to a private printer. We've had our Washington Bureau hard at work to find the reason for the change, but all they've been able to turn up is the flimsy excuse that the private printer gets the bulletin out 12 days earlier.

FOR mascot of the Black Legion, we nominate the black widow spider.

IN Los Angeles there's a watchmaker who after 20 years' investigation has concluded that the Copernican theory is all wet. The sun, he says, is only 4,000 miles and the moon 2,000 miles from us, and the sun travels around the earth. Welcoming an honest investigation, he stands ready "to make tests, provided necessary finances are arranged for." How about applying to WPA?

FROM the *Congressional Record*:

MR. ELLENBOGEN. Mr. Speaker, I ask unanimous consent to proceed for 15 seconds.

THE SPEAKER. The gentleman from Pennsylvania asks unanimous consent to proceed for 15 seconds. Is there objection?

There was no objection.

MR. ELLENBOGEN. Mr. Speaker, I ask unanimous consent to extend and revise the remarks I am going to make.

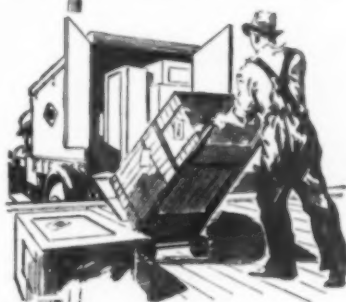
MR. SNELL. Mr. Speaker, to that I object.

THE SPEAKER. Objection is heard. The time of the gentleman has expired.

IN Chicago the shortage of skilled workers in certain trades has caused the Illinois Free Employment Service to put want ads in the papers, and in Poplar Bluff, Mo., so few stills have been seized this year that the federal revenue agents have advertised for "information concerning illicit stills." The country is running short of machinists, molders, and moonshiners.

"ZIONCHECK Is Criticized For Biting a Chauffeur." Good lord, can't the poor fellow do *anything* without being criticized?

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You can also ship C. O. D. in connection with this P. & D. service and Erie will collect your invoice for a nominal fee.



MAY 30, 1936

## Why Not Freedom?

We have come a long way from the old theory on which government regulation of the railroads was first predicated, forty-nine years ago. In those days the railroads had attained enormous power and the opportunity to exercise it without any restraint. The iron horse had nothing to fear from the horse of flesh and blood, nor could the canals compete with his speed. He was the unchallenged champion. Every company and every community depended on him for a fair deal with its competitors. And he, because he had no competitors, could use his power arrogantly. That was why the federal government interposed with a restraining hand.

The matter was urgent. Favored shippers got rebates, while their competitors often had a hard time getting their goods transported. Alarmed and indignant, the country finally protected itself with the Interstate Commerce Act of 1887.

Twenty years passed. Theodore Roosevelt was President. The well-to-do had their automobiles, and the Wright brothers had proved that daring men could ride a fragile mount in the air; but who could then have predicted the assembly lines of Detroit, and the vast traffic of the highways, and the hundreds of swift airplanes with their daily cargo of mail and passengers and precious freight? The railroads still enjoyed a monopoly of transportation, and the federal government adopted new laws and turned the screw of regulation a little tighter.

Ten more years passed. Wilson was President, we had plunged into the war, Henry Ford had pioneered in the mass production of automobiles, and the airplane was proving its efficacy on the Western front; but hardly anybody dreamed that the monopolistic power of the railroads was in danger. The federal government had given another turn of the screw, by means of the Adamson wage law. For war purposes the railroads were taken over by the government; but it was assumed that after the war they would be handed back as good as new, brimming with power and full of the devil and needing the firm hand of Washington.

Another ten years, and Coolidge was President, and the railroads were back in private hands. But they had passed the peak of their strength. War-time management by the govern-

ment had unsettled their finances, the post-war depression produced woes and bewilderment, and the highways were alive with cars and buses and thundering trucks. Moreover, Lindbergh had just flown to Paris, and his dramatic effect on the popular imagination was enormously helpful to the aviation industry. But in Washington nobody paused to reflect that stringent regulation of the railroads was no longer necessary.

Now the year is 1936. It is forty-nine years since the government began regulating the railroads in order to prevent them from injuring the public. And now the cars and the buses and the trucks and the airplanes give the public ample protection, and the Interstate Commerce Commission has blandly adopted the theory that it should regulate the railroads for their own protection—that in the East, for example, where passenger traffic is carried at a loss, it should compel a rate reduction which most of the railroad managers believe will be ruinous. The railroad monopoly is broken; why should the railroads still be treated as a monopoly? Aside from requiring them to give equal service to all passengers and shippers, why should not the government relax its control and let the railroads manage themselves as other businesses do?

### Making a Martyr Of Dr. Townsend

The congressional handling of the economic and political menace of the Townsend movement is a perfect example of officious stupidity. At the present moment the doctor rides in a martyr's rôle. It is much easier to put a man on a white horse and make him a martyr than it is to get him off the horse afterwards.

From the very beginning, politicians have been maladroit in handling the situation. All their signals have been telegraphed. It has been obvi-

ous to the world that they were afraid of the old man from the West and that an investigation of him was intended to expose him to ridicule and contempt rather than to show the public the fallacy of his scheme.

Congress has been obviously and audibly afraid of him from the beginning. It backed and filled before it decided to make any investigation. Having resolved to proceed, it patently regretted its temerity. Once having gotten into the mess, it started the investigation with petulance, questioned the doctor with insolence, and covered him with the robes of a martyr.

Unfortunately this is too often the method by which both business and politics meet such issues. It is to be granted, of course, that Dr. Townsend's scheme is social and economic madness but at least he might have been treated on that basis rather than as a burglar.

Dr. Townsend has the sympathy of millions of people in this country, most of them old and respected. He probably has the active support of several hundred thousands who have contributed nickels and dimes to a crusade which they have endowed with an atmosphere of divinity. Treated with patience and understanding, such a movement can be destroyed by allowing it to speak for itself against a background of reason and fact. Ridicule is futile and denunciation is dangerous. Nor is the harm that has been done limited by the effect it may have on the Townsend movement. The clumsiness of the House committee in handling the Townsend case puts a torch in the hand of Father Coughlin and lends comfort and courage to Huey Long's followers. It gives such groups a common bond and might bring about their coordination in the doing of mischief not yet conceived.

However absurd the plans of such groups may seem, they have arisen out of misery and distress that are very real. They represent natural human reactions which call for the most sympathetic and constructive treatment and to some extent they arise out of admitted evils that demand a cure.

We have come a long way from Marie Antoinette but occasionally we witness a reversion to her formula for meeting a social crisis.

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